



Determinants of Tax Avoidance and the Moderation Role of Asset Growth: A Case of Southeast Asia Banking Industry

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<https://dx.doi.org/10.24815/jdab.v10i2.25717>

ARTICLE INFO

Article history:

Received date: 26 July 2022

Received in revised form: 26 April 2023

Accepted: 04 June 2023

Available online: 8 August 2023

Keywords:

Asset growth, independent commissioners, managerial ownership, social responsibility, tax avoidance

Citation:

Wilda, F., Supriyanti, Murdiawati, D., Prananjaya, K.P., (2023), Determinants of Tax Avoidance and the Moderation Role of Asset Growth: A Case of Southeast Asia Banking Industry. *Jurnal Dinamika Akuntansi dan Bisnis*, 10 (2), 231 – 248

Kata Kunci:

Komisaris independen, kepemilikan manajerial, tanggung jawab sosial, pertumbuhan aset, penghindaran pajak

ABSTRACT

This study aims to investigate the impact of corporate social responsibility, independent commissioners and managerial ownership on tax avoidance. The mediation role of asset growth within the relationships was also tested in this study. Using purposive sampling method, 195 Southeast Asia banks were selected. The period of observation is 5 years i.e., between 2015 and 2019 (195 firm-year observations). Data were collected from annual financial statements downloaded from the banks' website and analyzed using multiple linear regression method. The results of this study showed that corporate social responsibility, independent commissioners, and managerial ownership have influence on tax avoidance. The result of moderation test indicates that asset growth only moderates the impact of managerial ownership on tax avoidance, while it does not moderate the influence of independent commissioners and corporate social responsibility on tax avoidance.

Determinan Penghindaran Pajak dan Peran Moderasi Pertumbuhan Aset: Kasus Perbankan Asia Tenggara

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh tanggung jawab sosial perusahaan, komisar independen dan kepemilikan manajerial terhadap penghindaran pajak dengan pertumbuhan aset sebagai variabel pemoderasi. Metode pengambilan sampel menggunakan metode purposive sampling. Sampel penelitian terdiri dari 195 bank Asia Tenggara dalam periode 2015 hingga 2019. Laporan keuangan tahunan yang diperoleh dari situs resmi bank merupakan sumber data penelitian. Dengan menggunakan metode regresi linier berganda, hasil penelitian menunjukkan bahwa masing-masing tanggung jawab sosial perusahaan, komisar independen, dan kepemilikan manajerial mampu berpengaruh terhadap penghindaran pajak. Hasil uji moderasi menunjukkan bahwa pertumbuhan aset hanya memoderasi pengaruh kepemilikan manajerial terhadap penghindaran pajak tetapi pertumbuhan aset tidak dapat memoderasi pengaruh komisar independen dan tanggung jawab sosial perusahaan terhadap penghindaran pajak.

1. Introduction

Almost every country in the world, including the developing countries in Southeast Asia region, still significantly rely on tax for their revenue source. In average, tax ratio of Southeast Asia countries is still lower than that of Asia countries. One measure for tax ratio is tax-payers compliance level, which is

usually estimated from the capability of taxpayers in submitting tax report and paying tax (often called as formal aspect of compliance level). Taxpayers Compliance Level is basically the contribution of citizens to the nation (state) for the acceleration of people economic development. The government plays important roles in this taxation issue which

include regulating, managing, stabilizing and developing national economic, and also ensuring that this national economic will give positive impact on people economic. People in the old days often consider tax as an expense but now, the current generation starts to see tax as a form of people participation in national development. In many countries in the world, taxpayers' compliance level is surprisingly low because the number of taxpayers who do not voluntarily fulfill their tax obligation are still enormous. Taxpayers often complain about high tax expense charged to them. Some of these taxpayers even intentionally do not fulfill their tax obligation. Such action is called tax avoidance in which taxpayers make an attempt to pay tax expense as low as possible in order to increase their earnings (Andalenta, 2022).

The so called tax avoidance is a common term in the economic and taxation science. Even, tax avoidance is not unusual thing among taxpayers, especially corporate taxpayers. Too often, tax avoidance becomes ethical dilemma for taxpayers because tax avoidance is legal and giving opportunity to them to reduce tax expense by using certain stipulations and fissures in tax laws. A major cigarette company, Philip Morris, had been pronounced by Thailand State Court as committing tax avoidance for 662 million US dollar tax and already punished by the Court with paying a fine of 4 million US dollar. In case of Vietnam, as reported by Vietnam Institute for Economic and Policy Research (VEPR) and Oxfam, tens thousands business people were detected committing tax deviation that causes Vietnam to loss trillions Dong per year from 2010 to 2018 (DDTC, 2020). Within Indonesia context, tax avoidance is often committed by manufacture corporate taxpayers with only 35% contribution of their tax payment to the government (Astuti & Aryani, 2016).

Banking industry is an industry that manages people fund. Functioning in fund intermediation, the banks provide credits and capitals to the people and this function makes the banks become the activator of national economic. The banks compile fund from

people, distribute the fund back to people, and take benefits from this operation. As corporate taxpayers, the banks have tax obligation. But, because of this obligation, there is a possibility that the banks commit tax avoidance. Encountering conditions that require high financial performance, decent soundness level, and a capability to guarantee people rights over capitals, the banks find as necessary to make their operational more efficient, including the efficiency of tax payment. The current research focuses on banking industry because of the function of this industry in fund intermediation and the alleged preference of this industry on tax avoidance. Greater emphasis of research topic will be put on tax avoidance.

Tax avoidance is an effort to make tax expense more efficient by reducing tax exposure through emphasis of non-taxable transactions or non-tax objects (Wardani & Mursiyati, 2019). Agency theory concerning corporate tax avoidance is already available. Conflict of interest occurs between agent (managers) and principal (shareholders or people) because each feels necessary to do something that benefits their interest. Tax avoidance is considered by corporations as a meaningful strategy that can help them to minimize operational expense, to manage financial cash flow, to improve earnings, and to increase return to shareholders or people. Several previous studies have been reviewed and the researchers find three variables with dominant effect on tax avoidance, which respectively are non-financial aspect, commissioners board role and managerial participation (Ha et al., 2021).

Corporate social responsibility (CSR) is a non-financial activity as a form of corporate contribution to people in order to keep corporate operational sustainable (Maulinda & Fidiana, 2019). According to Apriani & Praptoyo (2018), corporations without CSR have high preference on committing tax avoidance. Meanwhile, Maraya & Yendrawati (2016), Wiguna & Jati (2017), and Alsaadi (2020) generally found that CSR disclosure have positive and significant effect on tax avoidance. Else, Maulinda & Fidiana (2019), Liana & Sari (2017),

and Dewi & Noviani (2017) discovered that CSR has negative effect on tax avoidance because good CSR activity will improve corporate image or reputation.

Independent commissioners represent the interest of specific shareholders and thus still has direct connection to corporate fate. Independent commissioners must be neutral, complying with government tax laws, and able to suppress excessive tax avoidance that causes negative impact on the corporation. The findings of Maulinda & Fidiana (2019) and Fitri et al (2017) generally pointed out that the effect of independent commissioners on tax avoidance is not significant. Independent commissioners only act the supervisory function and does not seem powerful enough to suppress tax avoidance. Moreover, the findings of Wardani & Mursiyati (2019) and Maraya & Yendrawati (2016) demonstrated that independent commissioners have negative but significant effect on tax avoidance. Poor supervisory function on corporate management may lead to high preference on tax avoidance and earnings manipulation.

Managerial ownership refers to a number of share owned by the management (directors and commissioners) that determines managerial participation level in decision making process (Ha et al., 2021). The finding of Maraya & Yendrawati (2016) indicated that the effect of managerial ownership on tax avoidance is negative and not significant. Small proportion of managerial ownership does not have strong impact on tax policy (Jiang et al., 2020). Conversely, Ayu & Sumadi (2019) found that managerial ownership has positive effect on tax avoidance. Managerial ownership keeps managers more cautious in making decisions for their corporation. Moreover, Zahirah (2017) and Krisna (2019) found that the effect of managerial ownership on tax avoidance is not significant. Small managerial share ownership signifies that managers do not have strong standing on decision making process, especially the decision concerning tax policy.

Previous findings concerning tax avoidance are still not consistent to each other. Therefore, recent

research on tax avoidance, particularly at banking industry, needs to be conducted. Previous studies on tax avoidance are mostly done in non-banking sector. Knowing this fact, the current research takes initiative to examine banking industry in Southeast Asia region using asset growth as moderation variable. Related to asset growth, Wardita & Astakoni (2018) emphasized that asset growth measures banking productivity and represents what people expect from the banks after people save and trust their money to them. However, Nurhasanah (2017) discovered that the effect of asset growth on profitability of banking industry is not significant. But, Fauzan (2019) insisted that the growth of banking assets is able to be the moderation variable in the relationship of profitability and CSR on tax avoidance. Taking all statements above into consideration, the current research is aimed to examine the effect of CSR, independent commissioners and managerial ownership on tax avoidance. In addition, the role of asset growth in moderating the relationship of CSR, independent commissioners and managerial ownership on tax avoidance is also investigated in this research. The next systematization of this research includes theoretical framework and hypothesis development, research method, results and discussion, and conclusion and suggestion.

2. Literature review and hypotheses development

Agency theory

In the context of this research, a theoretical base that can explain the relationship between corporate management and tax avoidance is agency theory. Based on this theory, a relationship emerges because there is a contract between principal (shareholders) and agent (managers). Agent receives delegation of authority from principal (Jensen & Meckling 1976). Agent and principal have different background and expectation from doing their job and thus both have different in their way of executing policy and performing their operation. In this situation, agent has more factual information than principal and this

makes agent capable of making policies more precise and accurate. On the other hand, principal has limited access to internal information and greatly rely on information provided by agent. Although agent has better position over principal in term of information, agent is required to give high performance, act professionally and respect corporate values and ethical codes. All these requirements help the corporation to ensure that agent will give a favorable return to principal. Different advantage between agent and principal lead to different actions which often cause conflict of interest (also known as agency problem). When agency problem emerges, the so called agency cost follows.

Tax avoidance

Tax avoidance is an effort to make tax expense more efficient and this effort is done by giving emphasis on non-taxable transactions and non-tax objects. According to Maraya & Yendrawati (2016), tax avoidance is an effort to reduce payable tax expense and this effort is legal. High unpayable tax put the corporation in high risk, including paying fine and getting bad reputation on public eyes (Kasim & Saad., 2019; Kim & Im, 2017). Tax problem can ruin corporate position. Taking a legal action to minimize tax expense is always important and thus tax avoidance is selected by the corporation as a comprehensive strategy to deal with tax problem (Taylor & Richardson et al., 2012). Indeed, tax avoidance is a legal action where taxpayers actually comply with tax laws but use fissures in these laws (loopholes) as an alternative option to cope with tax problem (Kasim & Saad, 2019). Regarding tax as a part of operational expense, the corporation believes that optimum earnings are only achieved by making expenses more efficient (Lee & Kao, 2018; Atwood et al., 2012). Ironically, many tax stipulations convince the corporation to commit tax avoidance. The contribution of tax payment is still considered by the corporation as expense that can decrease corporate earnings (Agyei, 2020; Tilehnooui et al., 2018). Low earnings are definitely not the corporate

goal. The attainment of high earnings is assured by the corporation through tax avoidance (Putri et al., 2019).

Corporate social responsibility (CSR)

Corporate social responsibility (CSR) is an obligation that the corporation must fulfill for the favor of any group affected by corporate activity or operation. In other words, CSR is like buying the bright future or sustainability of the corporation by giving help or solution to the current problem encountered by society (Maulinda & Fidiana, 2019). Moreover, CSR is corporate responsibility over economic, social and environmental of the society. Also, CSR is a sustainable commitment of the corporation to assure that the society around the corporation will get positive impact from corporate establishment. The absence of proper institutions, CSR disclosure is likely to remain a form of window dressing (Kenny et al., 2017).

Under short term perspective, CSR may increase corporate cash outflow but in long term perspective, CSR can give huge economic benefit. In the opinions of Lako (2015) and Alsaadi (2020), there are 7 long term economic benefits of CSR, which respectively are: 1) being social investment that can become the source of competitive advantage for the corporation in the future, 2) strengthening profitability and financial performance of the corporation, 3) improving corporate accountability which can facilitate the arrival of positive appreciation from investor, creditor, supplier and consumer communities, 4) increasing commitment, work enthusiasm, efficiency and productivity of the employees, 5) improving image and reputation of the corporation, 6) reducing potential social fluctuation and susceptibility, and 7) strengthening corporate value and goodwill in long-term perspective. Indeed, CSR is a short-term expense that may drain cash flow and reduce earnings but give a promising long-term economic fortune for the corporation.

The finding of Wiguna & Jati (2017) showed that CSR has positive effect on tax avoidance. However, the finding of Maulinda & Fidiana (2019;

Lopez et al., 2019) demonstrated that CSR has negative effect on tax avoidance. In the context of the current research, agency theory predicts that high CSR level is associated with high preference on tax avoidance. High CSR level leads to high operational expense and the corporation chooses tax avoidance to make operational expense more efficient. Based on the statements above, first hypothesis is proposed as follows:

H₁: Corporate social responsibility has positive and significant effect on tax avoidance.

Independent commissioners

Independent commissioners are an entity from outside the corporation that is assigned or given seats into the corporation to perform neutral assessment on corporate performance. As already said by (Maulinda & Fidiana, 2019), independent commissioners play important role in corporate governance, which is to ensure that corporate financial statements are transparent and accountable. Independent commissioners are required to be professional, equitable to minority shareholders and other stakeholders, and able to enforce corporate compliance with tax laws. The Chapter III Article 19 of the Regulation of Financial Services Authority No. 57/POJK.04/2017 has required that the proportion of independent commissioners for good corporate governance should be 30%. If the number of independent commissioners is enormous or exceeding 30% of total shareholders, then the expectation is that independent commissioners are capable to supervise managerial performance and reduce potential agency problem (Salehi et al., 2020).

The finding of Fitri et al. (2017) indicated that good supervision by independent commissioners supposes to be able to minimize the preference of the corporation on tax avoidance. However, Maraya & Yendrawati (2016) found that the effect of the proportion of independent commissioners on tax avoidance is not significant. Regarding this matter, agency theory predicts that high level of managerial supervision is related with low preference on tax

avoidance. Correspond to the statements above, second hypothesis is written as follows:

H₂: Independent commissioners have negative and significant effect on tax avoidance

Managerial ownership

The involvement of managers into corporate matters is always crucial to the corporate feasibility. Managers who care about corporate achievement must be given opportunity to become shareholders to build their sense of belonging to the corporation (Jian et al., 2020). Referring to the opinion of Maraya & Yendrawati (2016), managerial ownership is shareholding by corporate stakeholders (directors, commissioners, managers, or even employees), which is measured by the percentage of share held by stakeholders. According to Jensen & Mecking (1976), managerial ownership is a mechanism that has been proven successful in alleviating agency problem by harmonizing the interest of managers and that of shareholders. Therefore, managerial ownership can overcome agency problem. Managers are the front individuals of the corporation and giving managers a number of corporate shares are supposed to increase their work motivation. Other expectation is that knowing the corporation involves them into internal circle, managers will develop eagerness to increase their work motivation, improve their performance and commit tax avoidance despite their compliance with tax laws (Shi et al., 2020; Kovermann, 2018).

Tax avoidance represents more than a simple transfer of resources from the state to shareholders. Rather, we show that tax avoidance may be expected to benefit shareholders only under conditions of high managerial ability and/or good governance. By contrast, under conditions of low managerial ability and/or poor governance, managers are more likely to use tax avoidance not to increase shareholder value but to facilitate rent extraction, broadly defined as managerial opportunism, including empire building. Overall, our study contributes to the ongoing debate about the consequences of tax avoidance for shareholders as well as to the growing literature on

the role of managerial ability and corporate governance in the relation between tax avoidance, managerial opportunism, and firm performance (Inder et al., 2018).

The finding of Maraya & Yendrawati (2016) pointed out that managerial ownership has negative effect on tax avoidance but the effect is not significant. In contrast to this finding, Ayu & Sumadi (2019) and Alkurdi & Ghassan (2020) discovered that managerial ownership has positive effect on tax avoidance. Moreover, Zahirah (2017) found that the effect of managerial ownership on tax avoidance is not significant. Concerning this matter, agency theory predicts that managers who found themselves as corporate owner will have high work motivation and should be eager to optimize corporate earnings. One proof of their eagerness is making operational expense more efficient through tax avoidance. In conformity with the statements above, third hypothesis is stated as follows:

H₃: Managerial ownership has significant effect on tax avoidance

Asset growth

Asset growth represents the development level of assets owned by the corporation. One way to improve corporate performance is through earnings achievement. Assets level can affect corporate strategy (Luty, 2020; Alfina et al. 2018). The presence of CSR, independent commissioners, and managerial ownership only strengthens the eagerness of the corporation to commit tax avoidance. When CSR is focused on social and economic dimensions, this action helps the corporation to gain trust from environment and people. Else, CSR gives indication that the corporation is taxpayers with good compliance with tax laws. Asset growth is expected to convince the managers to make operational expense more efficient and this is done through tax avoidance (Hidayat, 2019; Mao et al. 2019; Alfina et al. 2018).

The finding of Liana & Sari (2017) confirmed that corporate social responsibility affects tax avoidance at the manufacture corporations registered in Indonesia Stock Exchange (BEI – Bursa Efek Indonesia).

Independent commissioners play important role in the corporation through supervisory function that may deter managerial opportunism. Bigger size of independent commissioners supposes to be able to control excessive tax avoidance that may harm the corporation in the future. Different corporation may have different proportion of independent commissioners. This difference is influenced by corporate resource capacity or corporate asset growth. High asset growth can strengthen the effect of independent commissioners on tax avoidance. The finding of Rosalia (2017) asserted that greater proportion of independent commissioners is associated with lower preference of corporate managers on tax avoidance.

Managerial ownership is helpful to the corporation in dealing with agency problem. After promoted into shareholding circle (principal), managers are supposed to be able to control their excessive opportunistic behavior. Corporations that successfully achieve optimum earnings send good impact on asset growth. Optimum earnings increase number of circulated shares. Greater proportion of managerial ownership surely can prevent excessive opportunism. Most importantly, by controlling managerial opportunism, tax avoidance can be done legally and based on the plan. By the statements above, several hypotheses are elaborated as follows:

H₄: Asset growth can moderate the effect of corporate social responsibility on tax avoidance

H₅: Asset growth can moderate the effect of independent commissioners on tax avoidance

H₆: Asset growth can moderate the effect of managerial ownership on tax avoidance

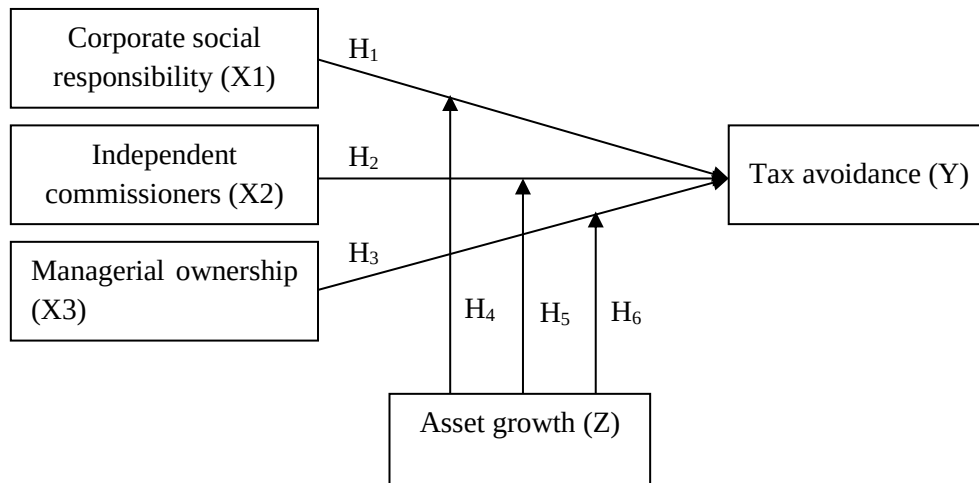


Figure 1. Conceptual framework

3. Research method

The current research emphasizes on hypothesis test because the researchers want to see the causal effect of two or more variables. Data source is secondary data which is annual financial statements made by the banks registered in Southeast Asia capital market. Regression model is used in hypothesis test.

Variable measurement

Dependent variable in the current research is tax avoidance. Three indicators are often used for measuring tax avoidance, namely effective tax rate (ETR), cash effective tax rate (CETR) and current effective tax rate (CuETR). In this research, current effective tax rate (CuETR) is used to measure tax avoidance. The equation of this measure is written as follows:

$$\text{CuETR} = \frac{\text{Current tax expense}}{\text{Net earnings before tax}}$$

Current effective tax rate (CuETR) is a ratio of corporate current tax to earnings before tax. The measurement through Current Effective Tax Rate (CuETR) will get tax rate regardless the fact that the tax may be deferred or final tax.

Independent variable of this research includes corporate social responsibility (CSR), independent commissioners and managerial ownership. Moderation variable of this research is asset growth.

The measurement of independent variable and moderation variable will be elaborated. Corporate social responsibility is measured with CSR Disclosure that compares the value of disclosed CSR item with corporate maximum score. The equation of CSR Disclosure (CSRDI) is stated as follows:

$$\text{CSRDI} = \frac{\sum X_{yi}}{N_i}$$

Independent commissioners are the members of commissioner board but these commissioners are not corporate employee or not individuals with direct relationship with the corporation. Even, independent commissioners do not represent the interest of corporate shareholders. The measurement of independent commissioners is given as follows:

$$\text{IC} = \frac{\sum \text{Independent commissioners}}{\sum \text{Commissioners board}}$$

Managerial ownership is the mark of managerial involvement in the corporation through corporate shareholding. Managerial ownership is created through share ownership by corporate stakeholders (directors, commissioners, managers, or even employees), which is usually indicated by the percentage of share held by stakeholders. In this section, managerial ownership is measured by the equation as follows:

$$\text{MO} = \frac{\sum \text{Managerial ownership share}}{\sum \text{Total share}}$$

Σ Share in Circulation

Asset growth refers not only to corporate productivity but also the expectation of insider (individuals in management board) and outsider (creditors and suppliers). Higher level of asset growth gives indication that bank size grows bigger. The equation that measures asset growth is arranged as follows:

$$Ag = \frac{\text{Asset } t - \text{Asset } t-1}{\text{Asset } t-1} \times 100 \%$$

Note:

Ag : Asset growth
 Asset t : Asset in current year
 Asset t-1 : Asset in previous year

Research model

The research uses 2 regression models to test 6 hypotheses. Each model is elaborated as follows.

Model 1: to test hypothesis 1, 2 and 3

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Note:

y : tax avoidance
 α : Constant
 X1 : Corporate social responsibility
 X2 : Independent commissioners
 X3 : Managerial ownership
 β1 β2 β3 : Regression coefficient

Model 2: to test hypothesis 4, 5 and 6

$$Y = \alpha + \beta_1 ZX_1 + \beta_2 ZX_2 + \beta_3 ZX_3 + \beta_4 ZZ_4 + \beta_5 \text{Abs}ZX_1 - ZZ + \beta_6 \text{Abs}ZX_2 - ZZ + \beta_7 \text{Abs}ZX_3 - ZZ$$

Note:

Y : Tax avoidance
 α : Constant
 βZX : Standardized coefficient of independent variable
 βZZ : Standardized coefficient of moderation variable
 βAbsZX – ZZ : Standardized absolute coefficient of moderating condition

Sample determination and data collection

The population of research is banking corporations in Southeast Asia region. Sample comprises banks in 11 countries in Southeast Asia region with the availability of financial statements in period from 2015 to 2019. Sampling year is ended in 2019 with two considerations, respectively (1) that during 2020-2021, Indonesia suffered from covid-19 pandemic which brought severe impact on financial condition and financial performance of many corporations, and (2) that the results of studies in period 2015-2019 are considered more accurate with

quite similar conclusion because the data have similar characteristic and condition, which facilitates researchers to make generalization. Sampling method is purposive sampling with criteria as follows: 1) banks are banking corporations in Southeast Asia region; 2) banks are able to show annual financial statement consecutively from 2015 to 2019; 3) annual financial statements are published in corporate official website or in stock exchange of each country; and 4) banks have complete data regarding variables used in research. Number of banks that fulfill criteria is 195.

4. Results and discussion

Data of this research are all financial statements made by banking corporations in Southeast Asia region. Outlier is excluded from data analysis because the analysis will use the result of normality test of one-sample Kolmogorov-Smirnov that involves exact sig value. The description of sample data by test criteria is presented in the following table.

Table 1. Sample determination

No	Description	State	Year				
			2015	2016	2017	2018	2019
1	Banking industry in Southeast Asia region	Brunei	2	2	2	2	2
		Singapore	2	3	3	3	3
		Thailand	5	5	5	5	5
		Malaysia	8	8	8	8	8
		Vietnam	2	2	2	2	2
		Philippine	2	2	2	2	2
		Cambodia	2	2	2	2	2
		Laos	1	1	1	1	1
		Myanmar	3	3	3	3	3
		Indonesia	44	44	44	44	44
Total sample before elimination			71	72	72	72	72
2	Eliminated data:						
a	Corporations suffer from the loss	Malaysia		1			
		Indonesia		2	2		2
Total			0	3	2	0	2
b	Data in financial statements are not complete	Brunei	2	1	1	1	1
		Singapore	1				
		Thailand	4				
		Malaysia	3	3	4	4	4
		Philippine	2		1	1	1
		Vietnam		1			1
		Myanmar	1	1	1	1	2
		Indonesia	23	11	6	9	8
Total			36	17	13	16	17
c	Data do not match with criteria	Thailand			2	1	1
		Malaysia		2	1		
		Cambodia	1				
		Indonesia	11	21	2		
Total			12	23	5	1	1
d	Outlier	Malaysia	2	1	2		
		Vietnam	2	1	2		
		Philippine		1			
		Cambodia	1				
		Myanmar				1	
		Indonesia		1	1	1	
Total			5	4	5	2	0
Total sample eliminated every year			53	47	25	19	20
Total sample after elimination			18	25	47	53	52
Total sample processed			195				

Descriptive analysis is carried out to analyze data from minimum value (min), maximum value (max), mean score and standard deviation that

describe corporate condition during research period. The items of descriptive analysis are displayed in the following table.

Table 2. Descriptive statistic analysis

	N	Min.	Max.	Mean	Std. Deviation
Tax avoidance	195	0.00010	0.556	0.2187	0.1022
CSR	195	0.021	1.00	0.5658	0.2406
Independent commissioners	195	0.2	1.00	0.5893	0.1895
Managerial ownership	195	0.0000	0.778	0.0734	0.1651
Asset growth	195	0.0044	0.386	0.1369	0.0542

Several explanations are given concerning the contents of the table above. Total sample is 195. Tax avoidance by CuETR measurement has mean score of 0.22, which signifies that tax expense paid by the banks is relatively low, which is only 22%. Based on this result, tax avoidance is high or increasing because payable tax expense is low. Every corporation is always under pressure to get optimum earnings. However, the banks are also obliged to give high return to shareholders, to assure the customer that their fund is safe, and to minimize operational outflow. The mean score of CSR disclosure is 0.57 or 57% of 48 CSR items that need to be disclosed. Social and economic aspects are given stronger emphasis than other aspects. Giving disclosure regarding social and economic aspects is mandatory. Number of disclosed items is adequate (above 50% of total items). Meanwhile, mean score of independent commissioners is 0.58 or 58%, which confirms that the proportion of independent commissioners is higher than threshold required by OJK, which is 30% of commissioners' board membership. Good corporate governance needs the participation of independent commissioners. Although maximum number of independent

commissioners is not yet attained, the current standing of independent commissioners is already strong. Managerial ownership has mean score of only 0.07 or 7% of total share in circulation. Individuals in management board need to be involved in the making of corporate strategic policy. However, managerial ownership in the sample banks is low. Finally, the mean score of asset growth is only 0.13 or 13%, which confirms that asset growth of sample banks is indeed in low category. Low profitability definitely hampers the banks from increasing their assets value. Profit source of the banks is mostly coming from the fund entrusted by customer. Interestingly, such low profitability can also be related with low eagerness of people to entrust their money to the banks.

Classical assumption test

Classical assumption test involves several tests, such as normality test, autocorrelation test, multicollinearity test, and heteroscedasticity test. According to the results of these tests, research model is reliable. All the results are shown in the following table.

Table 3. Results of classical assumption test

Type	Description
Normality	Significance value from Exact Sig. Test is 0.085
Autocorrelation	DW value is located between du and $4-du$, precisely $du < d < 4-d$ or $1.7239 < 1.535 < 2.1924$
Multicollinearity	Tolerance value is ≥ 0.10 or VIF value is ≤ 10
Heteroscedasticity	Significance value is above 0.001

The result of simultaneous regression coefficient, or known as F test, indicates that significance value is 0.000 or that significance level is < 0.05 . Correspond to this result, research model

is considered good or fit for the next process. The result of determination coefficient test demonstrates that the value of adjusted R Square is 0.107 or

10.7%, which confirms that research variables affect research model only by 10.7%.

Table 4. Result of t test

	Model 1 (regression)			Model 2 (Moderation Regression)		
	Coeff	T-stat	Sig.	Coeff	T-stat	Sig.
Constant	.185	5.444	.000	.060	.396	.693
Corporate social responsibility	-.074	-2.347	.020	-.146	-1.907	.058
Independent commissioners	.103	2.783	.006	.108	1.343	.181
Managerial ownership	-.089	-1.979	0.49	-.044	-.369	.713
Asset growth				.195	2.378	.018
Moderating_1				-.087	-.906	-.366
Moderating_2				.218	2.125	.035
Moderating_3				-.101	-.908	.365
R2	0.125					
Adj. R ²	0.107					
F-stat	6.811					
Sign	0.000					

Referring the results of t test, Corporate social responsibility and managerial ownership are found to have negative effect on tax avoidance. More CSR activities produce lower tax avoidance. Firms that endorse this view tend to dismiss the importance of CSR and accordingly are more likely to view CSR reporting as a strategic tool for impression management or marketing. Because of their weaker concern for ethics and social responsibility, these firms should also be more likely to adopt aggressive tax reporting positions (Kenny et al., 2017). The banks are indeed required to implement CSR, which also helps the banks to attract potential customers. Good image and reputation will draw people appreciation which may convince people to entrust their money with the banks. Tight competition, fund limitation, and frugality posture are factors that make the banks difficult to compile the fund. Therefore, CSR is quite helpful at least to promote the banks to the potential customers. According to Limited Corporation Act No 40 of 2007, every public corporation is obliged to implement CSR activity. This requirement compels managers, commissioners and audit committees to care about CSR and to take necessary efforts to make CSR implemented. On the other hand, the corporation

must allow some proportions of cash flow to be used for CSR, which this allowance definitely affects profitability. The amount of return that supposes to be given to shareholders is also affected. Dealing with this situation, the corporation commits tax avoidance to minimize tax payment and most importantly, to improve corporate earnings. Several items in CSR give positive impact on corporate feasibility because these items help the corporation to reduce tax expense. Doing CSR activities will give the corporation two benefits, namely developing good image on public eyes and suppressing tax expense by assuring great income in the future from potential customers Alsaadi (2020) dan Wiguna & Jati (2017).

In agency theory, differences in interests can occur between the principal and the agent. When CSR is carried out based on the interests of the agent to enhance the company's reputation or image. CSR as a tax deduction can be used as a loophole for companies to streamline their tax burden by carrying out tax avoidance. When more and more CSR is carried out within the company, the more likely the company is to do tax avoidance. CSR activities are mandatory activities and are not an alternative policy that demands the role of management,

commissioners or audit committees. Basically, CSR and tax activities are activities that have a positive impact on society. Several components of CSR are used as a deduction from the tax burden so that by carrying out more and more CSR activities the company will get two benefits at the same time, which can improve a good image to the public and also reduce the tax burden by carrying out tax avoidance (Chung et al., 2013).

Independent commissioners is found to have positive effect on tax avoidance. This position declares that greater proportion of independent commissioners leads to higher preference on tax avoidance. In this research, the proportion of independent commissioners is 58 % which is relatively big whereas tax avoidance is only 22% which is very low. Independent commissioners are entities that do not have direct or indirect interests on corporate feasibility but independent commissioners are entities that have big concern and attention to corporate condition and development. Greater proportion of independent commissioners is related with greater possibility that managerial opportunism can be supervised and put under control. The greater or the greater the number of independent commissioners in the structure of the company's board of commissioners, the better it will be in carrying out the role of oversight and control over the actions of the agency so as to minimize fraud that may occur by carrying out tax avoidance.

Independent commissioners are involved to ensure that corporate performance is sustainable. One of the functions of the independent board of commissioners is to chair the audit committee. One of the reviews conducted by the audit committee chaired by the independent board of commissioners is regarding independence, the scope of assignment and the implementation of the risk management function and the compliance function and the company's internal audit. From this function the independent commissioner will build a good image for himself by carrying out his functions and duties objectively and professionally.

The presence of independent commissioners is giving assurance that objective opinions regarding taxation are available and the management board is supposed to be happy with this assistance. Received earnings, cash flow, and other financial targets are never separated from payable tax calculation. But, high tax rate can put the corporations in difficulty to implement other strategies. Supports from independent entities are needed at least for finding decisions that give mutual benefits. The implementation of supervisory function through adequate number of independent commissioners can restrain managerial opportunism and compel managers to be more careful in making decisions. Conversely, if independent commissioners do not have strong influence due to low proportion, tax avoidance is increasing. This finding is in line with Rosalia (2017) who discovered that independent commissioners have negative effect on tax avoidance.

Managerial ownership is also crucial for corporate feasibility. Reducing managerial opportunism, the corporation allows managers to take full responsibility as the entity that manages and owns the corporation. The involvement of managers into ownership structure can solve agency problem. If in the corporation, managers are given several shares, this act of generosity will increase managerial work motivation to develop good corporate image, improve corporate financial performance, and make corporate operational more efficient. In term of taxation, managers feel necessary to make better tax policy for the favor of corporation. Managerial ownership in a company can overcome agency problems because if in a company, the management is the executor of the company's activities and owns part of the company, then it is expected to increase motivation for the company's management to build a good corporate image. When company management feels that the company is owned by them, it increases motivation to improve performance and compliance with tax avoidance. If there are more and more shareholdings by managers, it is expected to reduce agency

problems because the managerial party acts as an agent as well as a principal who will be more careful in making decisions to maintain the company's name and the company's sustainability. Tax avoidance generates wealth for the firm's shareholders or simply exacerbates agency problem (Inder et al., 2018).

The result of the current research indicates that managerial ownership has negative effect on tax avoidance. High level of managerial ownership leads to low level of tax avoidance. Managers with shareholding are expected to be stimulated to attain good corporate performance and produce the desired earnings (Khanh & Khuong, 2019). High earnings level is an indicator often used by corporate owners to assess managerial performance. Surely, high level of earnings can reduce potentially high level of tax expense, which later reduces the possibility of tax avoidance. Corporate taxpayers without tax avoidance will be greatly appreciated by stakeholders and this position can improve corporate value. Good corporate value is associated with corporate sustainability. This position is consistent with agency theory which predicts that tax avoidance can reduce conflict of interest, improve the compliance with tax laws, and increase corporate earnings optimally. This finding is in agreement with Zahirah (2017) and Krisna (2019). Excessive opportunistic action can be deterred when sustainability is assured and tax obligation is fulfilled.

The result of moderation regression test demonstrates that asset growth is not able to affect the relationship between CSR and tax avoidance. Although during research period, corporate assets are growing, the percentage of asset growth is still low. Other situations such as less optimum achievement of earnings, less usage of banking services by customers, and less demand for loan fund from customers, compel the corporation to seek for other advantageous activity, including CSR, although this increases corporate operational expense. Profit achievement that is not yet optimal, acceptance of services from customers is still low

and demand for loan funds by the public is still low causing the growth rate of assets to be relatively low. The achievement of profits and receipt of services from customers that are not yet optimal make the company consider other expenses such as CSR activities.

Other tests give different results. Asset growth is moderation variable that strengthens the relationship between independent commissioners and tax avoidance. Growth level of corporate assets reflects corporate productivity and also represents what is expected by insider and outsider from the corporation (Muti'ah & Ahmad, 2021). In a study by Sari et al., (2022) stated that growth assets are one way to be able to find out the size of the company, the larger the total assets indicate the larger the size of the company. The big company will be in the spotlight of the government, thus causing a tendency for company managers to behave aggressively and obediently (Kurniasih & Ratna Sari, 2013). The larger the size of the company, the company will consider the risks more in terms of managing its tax burden. Banking assets are usually dominated by current assets that emanate from service fee to customers. Asset growth is proxied by the difference of asset in current year against asset in previous year and then the differential output is divided by asset in previous year. The increase of asset growth gives indication that bank size is growing. High level of asset growth signifies that the corporation is able to maintain good image and reduce the preference on tax avoidance although in some parts, the supervision from independent commissioners is also influential to tax avoidance.

Moreover, managerial ownership has negative effect on tax avoidance. Low level of managerial ownership leads the corporation to commit tax avoidance. Managers with proportional managerial ownership surely want a fair amount of dividend and this helps the corporation to reduce tax expense (Omesi & Appah, 2021). Asset growth is found to be unable to affect the relationship between managerial ownership and tax avoidance. Managerial ownership does not affect asset growth because corporate

strategy on assets is often neglected during decision making process concerning managerial ownership. Managerial ownership is unable to make decisions on asset growth because the company's strategy related to assets does not arrive at managerial ownership decisions

5. Conclusions

Tax avoidance is a strategy used very often by the corporation to cope with taxation issue. Main goal of tax avoidance is to reduce payable tax expense and to increase corporate earnings. In this research, three variables are considered influencing tax avoidance, which respectively are corporate social responsibility, independent commissioners and managerial ownership. The objective of this research is to analyze the effect of corporate social responsibility, independent commissioners and managerial ownership on tax avoidance with asset growth as moderation variable at the banking industry in Southeast Asia region in period 2015-2019. Several results are obtained from this research. Corporate social responsibility, independent commissioners and managerial ownership have significant effect on tax avoidance. Corporate social responsibility and managerial ownership have negative effect on tax avoidance but the effect is significant. The result of moderation test explains that asset growth as moderation variable is not able to moderate the effect of CSR and managerial ownership on tax avoidance. Even, asset growth is proven as weakening the effect of independent commissioners on tax avoidance. Asset growth of sample banks is not able to reduce managerial opportunistic behavior because asset growth level of the sample is quite small. The current research has two limits that the next research must take into consideration. First limit is that there are many relevant data that are not exposed in the exchange website of each country due to the reason of confidentiality. Second limit is that data of period 2020-2021 cannot be used because of extreme situation of covid-19 pandemic. There is a fear that such data cannot be generalized. Two suggestions

are given, respectively 1) the next research must enhance sample scope and 2) the next research should replace asset growth with other proxy that is more relevant to managerial ownership.

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