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Examining Institutional Ownership and Audit Committee Characteristics: CSR's Role in Tax Avoidance Practices

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ABSTRACT: *This study examines the influence of institutional ownership, audit committee size, and the financial and accounting expertise of audit committee members on tax avoidance practices, with corporate social responsibility (CSR) serving as a mediating variable. This research utilizes a quantitative methodology, concentrating on manufacturing firms within the food and beverage sub-sector listed on the Indonesia Stock Exchange during the period from 2017 to 2021. Purposive sampling was employed to select 23 companies as the final sample. The analysis utilized the Structural Equation Model (SEM) through SmartPLS software. The findings indicate that institutional ownership, the size of the audit committee, and the financial expertise of audit committee members do not significantly impact tax avoidance. Institutional ownership positively affects CSR, while the size of the audit committee negatively influences CSR. The financial and accounting expertise of audit committee members does not significantly impact corporate social responsibility (CSR). Furthermore, CSR does not mediate the relationships among institutional ownership, audit committee size, and financial expertise concerning tax avoidance. The research indicates that organizations ought to reduce tax avoidance to more effectively meet their fiscal obligations. Policymakers should implement stricter tax regulations to mitigate tax avoidance practices.*

Keywords: *accounting expertise of audit committee, CSR, institutional ownership, practice of tax avoidance.*

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INTRODUCTION

The largest source of state revenue used for state development comes from tax payments. Taxes are forced contributions from the public to the state treasury legally and do not receive direct remuneration (Pamungkas & Fachrurrozie, 2021). Paying taxes to facilitate community needs is a legal and ethical business responsibility. However, some companies try to avoid paying taxes by carrying out tax avoidance (Xu et al., 2022). Tax avoidance is an effort to reduce taxes by taxpayers while still paying attention to applicable tax regulations (Wiratmoko, 2018).

Taxes are the largest source of income for the country (see Table 1). Based on data from the October 2022 edition of the *APBN kita* (Kementerian Keuangan RI, 2022), the Directorate General of Taxes (DJP) collected tax revenues of IDR 1,310.50 trillion at the end of the third quarter of 2022. Based on data from the Republic of Indonesia Financial Audit Agency (BPK RI) Central Government Financial Report (LKPP), there has been an increase in state revenues from the taxation sector from 2012 to 2019, and there was a decline in 2020 due to the implementation of Large-Scale Social Restrictions (PSBB) and will increase again in 2021. Even though tax revenues often increase every year, in the last 10 years, the realization of the State budget (APBN) sourced from taxes has still not been able to reach the APBN target. Tax revenues will only be met in 2021, namely 107.15% or IDR 1,547,841,051,644,620. The following is tax revenue data from 2012 to 2021.

Table 1. Realization of APBN from Tax Revenue

Year	APBN	APBN Realization	Percentage
2012	Rp 1.016.237.341.511.000	Rp 980.518.133.319.319	96,49%
2013	Rp 1.148.364.681.288.000	Rp 1.077.306.679.558.270	93,81%
2014	Rp 1.246.106.955.600.000	Rp 1.146.865.769.098.250	92,04%
2015	Rp 1.489.255.488.129.000	Rp 1.240.418.857.626.370	83,29%
2016	Rp 1.539.166.244.581.000	Rp 1.284.970.139.927.480	83,48%
2017	Rp 1.472.709.861.675.000	Rp 1.343.529.843.798.510	91,23%
2018	Rp 1.618.095.493.162.000	Rp 1.518.789.777.151.030	93,86%
2019	Rp 1.786.378.650.376.000	Rp 1.546.141.893.392.190	86,55%
2020	Rp 1.404.507.505.772.000	Rp 1.285.136.317.135.790	91,50%
2021	Rp 1.444.541.564.794.000	Rp 1.547.841.051.644.620	107,15%

Source: bpk.go.id

The government must be able to optimize tax revenues through the Directorate General of Taxes (DJP) in increasing economic growth. However, it is not easy to maximize tax revenues, this is because the tendency of taxpayers to avoid paying taxes is still quite large (Hastuti et al., 2014; Wiratmoko, 2018; Nahumury et al., 2018; Sandra & Anwar, 2021). The Minister of Finance revealed that cases of tax evasion that occurred in Indonesia increased substantially from 2015 to 2019. A total of 9,496 corporate taxpayers reported losses in their financial reports sequentially. This number is 2 times greater than from 2012 to 2016. In fact, corporate taxpayers who report these losses are still able to run and develop their businesses (Asih & Setiawan, 2022).

One of the phenomena of tax avoidance practices occurred at PT Indofood Sukses Makmur Tbk. (INDF) and PT Indofood CBP Sukses Makmur Tbk. (ICBP) which is suspected of carrying out transfer pricing. In May 2020, INDF and ICBP shares decreased by 6.67% and 6.98%, even though net profit in the first quarter of 2020 increased by 4% compared to the previous year's quarter, namely from 1.35 trillion to 1.4 trillion. According to the head of MNC Securities research, Edwin Sebayar, the decline in shares was due to investors' response to the fairly expensive acquisition of Corpora Limited shares and concerns about GCG regarding transfer pricing practices (Agustinus & Azizah, 2020).

The practice of tax avoidance is related to agency theory. Based on agency theory, companies are described as contractual agents of management and shareholders with the aim of optimizing shareholder wealth (Jensen & Meckling, 1976). In this way, decision-making authority is delegated to agents. However, the separation of ownership and authority between managers and company owners creates a conflict of interest (Bauer et al., 2018). Agency problems in tax avoidance cause information

asymmetry between companies and the government. This problem occurs between stakeholders, namely the government as principal and management as agent. The government wants high income from tax revenues, while companies are trying to streamline the expenses they will incur, including tax burdens in order to optimize profits (Pamungkas & Fachrurrozie, 2021).

The parties who are considered to benefit from tax avoidance practices are management and shareholders. Shareholders will receive higher dividend distributions, while the benefit for management is additional performance bonuses due to increased profits due to tax avoidance (Hendi & Wulandari, 2021). Recently it was concluded that increasing institutional investor share ownership allows tax avoidance practices in companies to increase as well. This is due to the characteristics of institutional investors who pay more attention to the company's short-term profits, thereby encouraging the creation of certain incentives to increase company tax avoidance (Jiang et al., 2021). On the other hand, institutional ownership is believed to be able to monitor every management decision, so that tax avoidance practices can be reduced (Kirana & Sundari, 2022).

Regarding tax avoidance practices, economists believe that corporate governance mechanisms can solve agency problems, they can propose different corporate governance to adapt it to the company. Internal controls and audit committees play a role in monitoring tax avoidance (Dang & Nguyen, 2022). The audit committee functions to improve the quality of company financial reporting in its role in corporate governance (Oussii & Boulila Taktak, 2018). Financial experts in the audit committee can supervise the company's tax planning in accordance with the company's business strategy (Hsu et al., 2018).

Corporate social responsibility (CSR) is also a company's obligation in addition to its obligation to pay taxes (Agata et al., 2021). To fulfill their responsibilities to society, CSR performance makes companies try to engage in lower tax avoidance practices for the benefit of society (Dakhli, 2022). Companies with good CSR quality will implement CSR programs voluntarily in accordance with the needs of the surrounding environment, so that the relationship between the company and the surrounding environment is maintained well. Thus, companies with good CSR quality will think repeatedly about carrying out tax avoidance because it will damage the reputation that has been built through the CSR program (Apriliyana & Suryarini, 2018).

The focus of this research is manufacturing companies in the food and beverage sub-sector, because they have the largest tax contribution among other sectors, namely 29.8% of national revenue and have experienced improvements in their revenue performance (Ministry of Finance of the Republic of Indonesia, 2022). The food and beverage industry sector is an industrial company that contributes the most to Gross Domestic Product (GDP), namely contributing 37.77% of the GDP of the non-oil and gas processing industry in the first quarter of 2022. The greater the GDP, the higher the profit, so the tax obligations even bigger (kemenperin.go.id, 2022).

The novelty of this research lies in the existence of a research gap where no previous research has combined institutional ownership variables, audit committee size, accounting and financial expertise of audit committee members as independent variables, tax avoidance as a dependent variable, and CSR as an intervening variable in one study. Apart from that, there has been no previous research examining the influence of accounting and financial expertise of audit committee members on tax avoidance with CSR as an intervening variable. The aim of this research is to test, analyze and prove the influence of institutional ownership, audit committee size, accounting and financial expertise of audit committee members on tax avoidance with CSR as an intervening variable.

LITERATURE REVIEW

Agency Theory

The relationship between management (agent) and the principal or owner of the company is known as agency theory (Jensen & Meckling, 1976). The company owner delegates authority to management in making decisions and assignments on behalf of the company owner. In carrying out his duties as an agent, the manager must inform the company owner of all matters relating to the company. Agency relationships are always related to a conflict that arises due to information asymmetry because there is a possibility that the agent is hiding key information about the company from the principal (Pudjianti & Ghozali, 2021).

Tax Avoidance

Broadly, tax avoidance is defined as a clear deduction of tax from accounting income before tax (Hasan et al., 2021). At a low level, tax avoidance can be interpreted as an effort to legally reduce taxes, for example using the accumulation of tax losses. Tax avoidance is carried out at the middle level by exploiting loopholes in tax regulations. Meanwhile, tax avoidance occurs at a higher level with illegal tax evasion (Kovermann & Wendt, 2019; Warastri & Suryaningrum, 2022).

Ownership Structure

Institutional ownership serves as a proxy for the ownership structure analyzed in this research because it represents majority share ownership. Institutional ownership, namely majority share ownership by institutions (Edison, 2017). Institutional ownership is able to reduce agency conflicts between shareholders and managers. The involvement of institutional investors in every decision-making can be a supervisor in every manager's activities so profit manipulation is not something that is easy for managers to do (Jensen & Meckling, 1976).

Characteristics of the Audit Committee

The audit committee is related to the performance of the audit committee. Effective and efficient performance is obtained from the characteristics of a good audit committee. It is believed that the presence of an effective audit committee can minimize delays in submitting financial reports (Syofyan, 2021: 37). The membership and background of the audit committee members is expected to have at least 3 independent commissioners, who can master financial knowledge, at least 1 person who is experienced in the fields of financial management and accounting (Syofyan, 2021: 38-39).

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is described as a company responsibility, both internally and externally as stated by A.B. Susanto in Sunaryo (2015: 5–6). According to Situmeang (2016: 6–7) the environment, social development, human rights, organizational governance, labor practices, fair operating practices, and consumer issues are the 7 basic components of CSR. Elkington in Wibisono (2007), put forward the term’s economic property, environmental quality, social justice in the triple bottom line concept. Corporate sustainability must also be based on 3P thinking (profit, people, planet). Apart from paying attention to profit and society, protecting the environment (planet) also needs to be considered (Situmeang, 2016: 7–8).

The framework for thinking (Figure 1) in this research can be described as follows:

H1 : Institutional ownership negatively affects tax avoidance.
H2 : Audit committee size negatively affects tax avoidance.
H3 : The accounting and financial expertise of audit committee members negatively affects tax avoidance.
H4 : Institutional ownership positively affects CSR.
H5 : Audit committee size positively affects CSR.
H6 : The accounting and financial expertise of audit committee members positively affects CSR.
H7 : CSR negatively affects tax avoidance.
H8 : CSR mediates the negative influence of institutional ownership on tax avoidance.
H9 : CSR mediates the negative influence of audit committee size on tax avoidance.
H10 : CSR mediates the negative influence of accounting and financial expertise of audit committee members on tax avoidance.

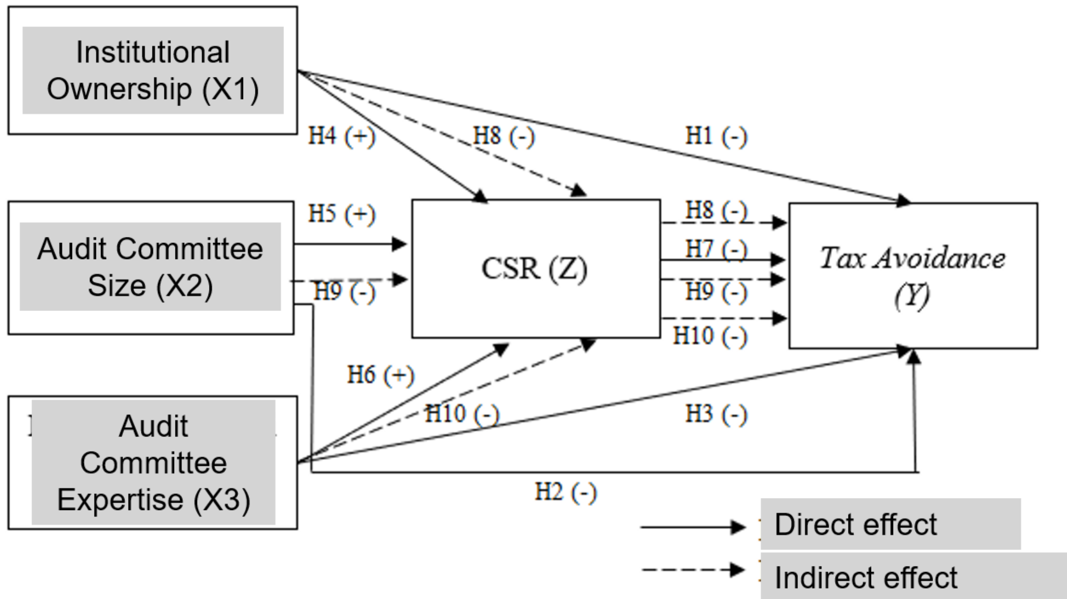

Figure 1. Research Framework
Source: Researcher's Processed Results (2023)

RESEARCH METHOD

Population and Sample

Quantitative methods are used in this research because they use numerical data to carry out analysis. All 72 food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2021 period constitute the population of this study. A purposive sampling technique was used to determine the sample, taking into account certain criteria. Based on the purposive sampling technique, a sample of 23 companies was obtained. This research uses secondary data taken from company annual reports. The source of information in this research was obtained from the official website of the Indonesian Stock Exchange, namely idx.co.id. and the official website of each company. The data collection procedure is by documentation, namely downloading the annual reports of food and beverage sub-sector manufacturing companies registered on the IDX for the 2017-2021 period.

Variable's Operational Definition and Measurement

There are 4 types of variables in this research (see Table 2). Institutional Ownership (INST), Audit Committee Size (ACSIZE), and Accounting and Financial Expertise of Audit Committee Members (ACEXP) are independent variables. Tax Avoidance (ETR) is the dependent variable. Corporate Social Responsibility (CSR) is an intervening variable, while Company Size (SIZE), Leverage (LEV), and Return on Assets (ROA) in this study are control variables.

Data Analysis Techniques

Using SmartPLS software, test the hypothesis using the Structural Equation Model (SEM) in this research.

Descriptive Statistics

According to Sugiyono (2018: 207) descriptive analysis directs researchers to analyze predetermined samples by determining the mean, median and mode.

Evaluation of the Measurement Model (Outer Model)

Evaluation of the measurement model is carried out by looking at the significance of the weights obtained through the resampling procedure. Based on Ghozali (2021: 71) the multicollinearity test for formative constructs is seen from the Variance Inflation Factor (VIF). The recommended VIF value is < 10 or < 5.

Structural Model Evaluation (Inner Model)

The predictive power of a structural model can be evaluated by looking at the percentage of variance in the R-Square of the endogenous latent variable. R-Square is 0.75; 0.50; and 0.25, meaning the model is strong, medium, or weak.

Table 2. Variable's Operational Definition and Measurement

Variables	Definition	Measurement
Independent Variables		
Institutional Ownership (INST)	the size of the shares owned by the institution (Dakhli, 2022).	$INST = \frac{\text{Total institutional sharel}}{\text{Total outstanding stocks}} x\ 00\%$
Audit Committee Size (ACSIZE)	The number of personnel on the audit committee (Mohammadi et al., 2021).	ACSIZE = $\sum$ Audit Committee member
Expertise of Audit Committee Members (ACEXP)	the audit committee members' understanding of accounting and finance (Badolato et al. in Dwiyanti & Astriena, 2018).	$ACEXP = \frac{\text{Total expertise}}{\text{Total audit committee member}} x\ 100\%$
Dependent Variable		
Tax Avoidance (ETR)	explicit tax deduction from pre-tax accounting income (Hasan et al., 2021). Tax avoidance can be measured using the ETR formula (Dakhli, 2022).	$ETR = \frac{\text{Tax Expense}}{\text{Income before Tax}} x\ 100\%$
Intervening Variable		
Corporate Social Responsibility (CSR)	A combined score of economic, environmental, and social groups. In this research, CSR is measured from the 2016 GRI Standards. If the indicators in the 2016 GRI Standards are published, they will be given a value of 1, but if the 2016 GRI Standards indicators are not published, they will be given a value of 0 (Rahmawati & Suryaningrum, 2024).	$CSR_{it} = \frac{\sum Xit}{n}$ Legend: CSRit = CSR index i-year t ∑Xit = Total value of CSR disclosure i-year t n = Number of disclosure indicators in GRI Standards
Control Variables		
Company Size (SIZE)	large, medium or small company size (Apriliyana & Suryarini, 2018). As in research by Dakhli (2022) and Dang & Nguyen (2022) company size is measured using the natural logarithm ratio of total assets	SIZE = Ln (Total Aset)
Leverage (LEV)	the level of company dependence on debt to finance its operational activities (Ramadhani & Maresti, 2021)	$LEV = \frac{\text{Total Liabilities}}{\text{Total Asset}}$
Return on Assets (ROA)	The company's performance gets better when the ratio value increases (Dakhli, 2022).	$ROA = \frac{\text{Income before Tax}}{\text{Total Asset}}$

Source: Previous research

Hypothesis Testing (Bootstrapping)

The structural model is assessed by looking at significance through a bootstrapping procedure to determine the influence between variables. The significance value uses (two-tailed) t-value 1.65 (significance level = 10%), 1.96 (significance level = 5%), and 2.58 (significance level = 1%).

Intervening Variable Hypothesis Testing

The method developed by Baron and Kenny (1986) was used in this research to test the mediation hypothesis (Ghozali, 2021: 184) with the following equation.

$$ETR = \alpha + \beta 1INST + \beta 2ACSIZE + \beta 3ACEXP + \beta 4SIZE + \beta 5LEV + \beta 6ROA + \varepsilon 1 \qquad (1)$$

$$CSR = \alpha + \beta 1INST + \beta 2ACSIZE + \beta 3ACEXP + \beta 4SIZE + \beta 5LEV + \beta 6ROA + \varepsilon 2 \qquad (2)$$

$$ETR = \alpha + \beta 1INST + \beta 2ACSIZE + \beta 3ACEXP + \beta 4CSR + \beta 5SIZE + \beta 6LEV + \beta 7ROA + \varepsilon 3 \qquad (3)$$

Legend:
ETR = *Tax avoidance*
CSR = *Corporate social responsibility*
INST = Institutional Ownership
ACSIZE= Audit Committee Size
ACEXP = Audit Committee Accounting and Finance Expertise
SIZE = Company Size
LEV = *Leverage*
ROA = *Return on Assets*
Ɛ = Error term

Pengujian tingkat signifikansi variabel CSR sebagai variabel intervening menggunakan perhitungan *Sobel standard error* (Sab) dengan persamaan sebagai berikut:

$$S_{ab} = \sqrt{b^2 sa^2 + a^2 sb^2 + sa^2 sb^2} \qquad (4)$$

Legend:
a = Exogen variable coefficient
b = Intervening variable coefficient
sa = Coefficient Error Standard a
sb = Coefficient Error Standard b
Sab = Error Standard indirect effect
If t count > t table value, then there is an intervening or mediation effect.

RESULT AND DISCUSSION

Results

Descriptive Statistics

The average, maximum, minimum, and standard deviation values of each variable are presented in Table 3. It can be seen that the standard deviation values are lower than the average values of all variables. Thus, the data deviation is low and the value distribution is even.

Table 3. Descriptive Statistics Variables

Name	Mean	Scale min	Scale max	Standard deviation
INST	0,811	0,025	0,999	0,226
ACSIZE	3,070	3,000	4,000	0,254
ACEXP	0,799	0,333	1,000	0,206
SIZE	29,453	27,081	32,820	1,421
LEV	0,434	0,129	0,715	0,170
ROA	0,119	0,003	0,709	0,103
CSR	0,299	0,011	0,618	0,136
ETR	0,291	0,019	2,909	0,275

Source: Output SmartPLS (2023)

Outer Model

Table 4 shows that the SmartPLS output results show a VIF value below 5, so it can be said that there is no serious multicollinearity.

Inner Model

Based on Table 5, it shows that the influence value of the variables INST, ACSIZE, ACEXP as independent variables, CSR as an intervening variable, and SIZE, LEV and ROA as control variables on tax avoidance (ETR) is 0.063 or 6.3% and the remaining 93.7 % influenced by variables outside the research. 0.139 or 13.9% of the INST, ACSIZE, ACEXP variables influence the CSR variable and the remaining 86.1% is influenced by other variables outside the research.

Table 4. VIF Analysis

Variables	VIF
INST	1,000
ACSIZE	1,000
ACEXP	1,000
SIZE	1,000
LEV	1,000
ROA	1,000
CSR	1,000
ETR	1,000

Source: Output SmartPLS (2023)

Table 5. Hasil R-Squares

Variables	*R-square*	*R-square* adjusted
CSR	0,139	0,116
ETR	0,063	0,002

Source: Output SmartPLS (2023)

Hypothesis Testing

The basis for hypothesis testing used is the output of the path coefficient as shown in Table 6.

Table 6. Hypothesis Testing Results

Variables	No Control Variables			With Control Variables		
	Original sample (O)	T *statistics* (|O/STDEV|)	P *values*	*Original sample* (O)	T *statistics* (|O/STDEV|)	P *values*
INST -> ETR	0,033	0,498	0,619	0,027	0,385	0,700
ACSIZE -> ETR	0,062	0,49	0,624	0,027	0,231	0,817
ACEXP -> ETR	0,078	1,08	0,280	-0,008	0,104	0,917
INST -> CSR	0,224	2,298	0,022	0,224	2,298	0,022
ACSIZE -> CSR	-0,202	2,293	0,022	-0,202	2,293	0,022
ACEXP -> CSR	0,171	1,763	0,078	0,171	1,763	0,078
CSR -> ETR	0,047	0,852	0,394	0,067	1,049	0,294
SIZE -> ETR				-0,039	0,599	0,550
LEV -> ETR				0,162	2,356	0,018
ROA -> ETR				-0,162	2,628	0,009

Source: Output SmartPLS (2023)

Discussion

The Influence of Institutional Ownership on Tax Avoidance

Based on Table 6, the P-value of institutional ownership (INST) is 0.619>0.05. After the control variables, INST has a P-value of 0.700>0.05, so H1 is rejected. Thus, institutional ownership has no effect on tax avoidance. This finding is in accordance with research conducted by Apriliyana & Suryarini (2018) and Ningrum et al. (2020), which shows that institutional ownership does not affect tax

avoidance. However, this finding contradicts research by Dakhli (2022) which states that institutional ownership has a negative effect on tax avoidance.

This finding contradicts the predictions of agency theory proposed by Jensen and Meckling (1976), which suggest that institutional ownership plays a crucial role in mitigating agency conflicts by enhancing oversight of management activities. According to the theory, institutional investors, due to their significant stake in the company, are expected to closely monitor managerial behavior to align management's interests with those of shareholders. This heightened supervision should, in theory, lead to more responsible management decisions, including limiting practices that could harm long-term shareholder value, such as excessive tax avoidance.

However, in practice, institutional ownership does not always fulfill its supervisory role effectively. Several factors could explain this discrepancy. For instance, institutional investors may prioritize short-term financial gains over long-term governance improvements, leading to a lack of rigorous monitoring. Additionally, there may be conflicts of interest if institutional investors maintain relationships with company management, reducing their incentive to enforce strict oversight. Consequently, institutional owners might overlook or inadequately address management behaviors that exploit tax avoidance strategies, thus failing to mitigate agency conflicts as theorized.

The Influence of Company Size on Tax Avoidance

Based on Table 6, the audit committee size variable (ACSIZE) has a P-value of 0.624>0.05. After the control variables, ACSIZE has a P-value of 0.817>0.05, so H2 is rejected. Thus, the size of the audit committee has no effect on tax avoidance. This finding is in accordance with research by Yustin & Effendi (2021) and Ningrum et al. (2020), which shows that the size of the audit committee does not affect tax avoidance. However, this finding is not in line with research by Dang & Nguyen (2022) and Tania & Mukhlasin (2020) which states that the size of the audit committee has a positive effect on tax avoidance.

This finding challenges the principles of agency theory, which posit that effective corporate governance structures, such as the presence of an audit committee, play a crucial role in overseeing financial reporting and curbing practices like tax avoidance (Damayanty & Putri, 2021). According to the theory, an audit committee acts as an internal safeguard, ensuring transparency and accountability by monitoring management's financial decisions and adherence to regulations. Ideally, this oversight should deter opportunistic behaviors, such as aggressive tax avoidance strategies that could harm shareholder value and corporate reputation (Mapuasari et al., 2023).

However, in practice, an audit committee's mere existence or size does not necessarily guarantee effective supervision. The impact of an audit committee in reducing tax avoidance largely hinges on the competence, integrity, and diligence of its members. Factors such as their expertise in financial regulations, independence from management, and commitment to ethical standards are critical in determining the committee’s effectiveness. If audit committee members lack the necessary skills or are complacent in their duties, their presence may become merely symbolic, failing to prevent or address complex tax avoidance schemes. Therefore, the quality of oversight, rather than the committee's composition or size, ultimately dictates its ability to influence corporate behavior and uphold good governance practices.

The Influence of Audit Committee Expertise on Tax Avoidance

Based on Table 6, the P-value of audit committee members' accounting and financial expertise (ACEXP) is 0.280>0.05. After the presence of control variables, the P-values ACEXP value is 0.917>0.05, so H3 is rejected. Thus, the accounting and financial expertise of audit committee members has no effect on tax avoidance. This finding is in accordance with research by Ziliwu et al. (2021) and Tania & Mukhlasin (2020) who stated that the accounting and financial expertise of audit committee members does not affect tax avoidance. However, this finding is not in accordance with research by Dang & Nguyen (2022) and Apriliyana & Suryarini (2018) which states that the proportion of audit committees with accounting and financial expertise is able to limit tax avoidance behavior.

This finding contradicts agency theory, which asserts that audit committees possessing accounting and financial expertise are better equipped to detect and mitigate management's engagement in tax avoidance practices (Apriliyana & Suryarini, 2018). The theory suggests that knowledgeable and skilled audit committee members can identify irregularities, scrutinize complex financial transactions, and challenge questionable management decisions, thereby reducing the likelihood of aggressive tax strategies. Their expertise should, in theory, strengthen internal controls and enhance the transparency of financial reporting.

However, the observed lack of influence from the audit committee's expertise on tax avoidance may stem from practical limitations in their authority and responsibilities. Despite their theoretical role, audit committees may encounter significant challenges, such as restricted access to critical data, documents, and detailed financial information necessary to uncover sophisticated tax avoidance schemes. Additionally, audit committees might face resistance from management or other internal barriers that prevent them from conducting thorough investigations. Organizational culture, inadequate resources, or a lack of independence could further hinder their ability to perform effective oversight. As a result, even highly skilled audit committee members may find their ability to detect and prevent tax avoidance practices constrained, reducing their overall impact on corporate governance outcomes.

The Influence of Institutional Ownership on CSR

Based on Table 6, the P-value value of institutional ownership (INST) is 0.022<0.05 with an original sample value of 0.224, so H4 is accepted. Thus, institutional ownership has a positive influence on corporate social responsibility. This finding is in accordance with Dakhli's (2022) research that institutional ownership has a positive influence on CSR.

However, this finding contrasts with the research conducted by Apriliyana & Suryarini (2018), which concluded that institutional ownership has no significant effect on tax avoidance. In contrast, the current research aligns with agency theory, which posits that institutional investors possess the authority and capacity to oversee and influence a company's strategic decisions. This theoretical framework suggests that institutional investors, due to their substantial stakes and vested interests, are motivated to ensure that management acts in a manner consistent with long-term shareholder value. By actively monitoring managerial behavior, institutional investors can exert pressure to promote transparency and ethical practices, thereby discouraging aggressive tax avoidance.

Moreover, institutional investors are often viewed as key drivers of corporate social responsibility (CSR) initiatives (Elgergeni et al., 2018). Their influence extends beyond financial performance to encompass broader corporate governance practices, including ethical considerations and social accountability. This active involvement in CSR reflects their commitment to sustainable and responsible business practices, which typically discourage risky or ethically questionable activities like tax avoidance. Therefore, institutional investors may play a dual role: not only ensuring compliance with financial regulations but also fostering a corporate culture that prioritizes integrity and social responsibility. This perspective underscores the critical role of institutional ownership in aligning management actions with broader corporate governance objectives.

The Influence of Company Size on CSR

Based on Table 6, the audit committee size variable (ACSIZE) has a P-value of 0.022<0.05 with an original sample of -0.202, so H5 is rejected. Thus, audit committee size has a negative influence on CSR. This finding is not in accordance with research from Appuhami & Tashakor (2017) and Mohammadi et al. (2021), which states that the size of the audit committee has a positive effect on CSR. Apart from that, this research also contradicts research by Erwanti & Haryanto (2017) and Rivandi & Putra (2021), which states that the size of the audit committee does not affect CSR.

These findings do not align with agency theory, which suggests that a larger audit committee enhances diversity and brings a broader range of experience, thereby improving the effectiveness of monitoring and disclosing corporate social responsibility (CSR) activities (Appuhami & Tashakor, 2017). According to this theory, an expanded audit committee should offer varied perspectives, deeper expertise, and more robust oversight, which collectively foster more comprehensive evaluations and transparent reporting of CSR initiatives. This structure is expected to reduce information asymmetry and align management's actions with stakeholder interests.

However, the observed negative relationship between audit committee size and CSR outcomes could stem from internal dynamics within larger committees. When audit committees grow in size, differences in opinions and perspectives may increase, potentially leading to disagreements or conflicts among members. These conflicts can create inefficiencies, slowing down decision-making processes and diluting the committee's overall effectiveness. Instead of fostering comprehensive oversight, larger committees might face coordination challenges or power struggles that hinder their ability to provide clear guidance and enforce CSR-related policies. Additionally, the presence of conflicting viewpoints can lead to a lack of consensus, reducing the committee's capacity to deliver consistent and effective monitoring.

Therefore, while diversity and expertise are theoretically advantageous, the practical realities of managing larger audit committees may inadvertently undermine their intended role in enhancing CSR

governance. This highlights the importance of not just the size but also the cohesion, communication, and governance structure within the audit committee to ensure effective oversight.

The Influence of Audit Committee Expertise on CSR

Based on Table 6, the variable accounting and financial expertise of audit committee members (ACEXP) has a P-value value of 0.078>0.05, so H6 is rejected. Thus, the accounting and financial expertise of audit committee members has no effect on corporate social responsibility. This research is in line with research by Appuhami & Tashakor (2017) and Setiawan & Ridaryanto (2022), which states that the audit committee's accounting and financial expertise has no effect on CSR. However, this research contradicts the research of Mohammadi et al. (2021), which states that the audit committee's financial expertise has a significant effect on CSR.

The results of this research contradict agency theory, which asserts that audit committees play a crucial role in overseeing both financial and non-financial reporting. According to the theory, audit committees are expected to uphold transparency and accountability, ensuring that companies not only comply with financial regulations but also fulfill their ethical responsibilities, including comprehensive corporate social responsibility (CSR) disclosures (Mohammadi et al., 2021). Their oversight is intended to align management's actions with broader stakeholder interests, promoting ethical conduct and responsible business practices.

However, the discrepancy observed in this study may be attributed to the audit committee's predominant focus on financial reporting. In practice, audit committees often prioritize financial performance, internal controls, and compliance with accounting standards, as these areas are directly linked to regulatory requirements and shareholder value. Consequently, non-financial aspects, such as CSR disclosures, may receive less attention or be perceived as secondary concerns. This financial-centric approach can lead to gaps in the monitoring and enforcement of ethical responsibilities related to CSR, reducing the effectiveness of audit committees in overseeing these disclosures.

Additionally, CSR reporting involves qualitative assessments and broader social considerations that may not fall within the traditional expertise of audit committee members, who are often more experienced in financial matters. This lack of familiarity with non-financial metrics and ethical dimensions may further limit their ability to provide rigorous oversight of CSR activities (Latif et al., 2023). Therefore, enhancing the effectiveness of audit committees in this area may require expanding their scope, providing specialized training, or integrating CSR experts to ensure balanced and comprehensive governance.

The Influence of CSR on Tax Avoidance

Based on Table 6, the corporate social responsibility (CSR) variable has a P-value of 0.394>0.05, so H7 is rejected. After the control variables, CSR has a P-value of 0.294>0.05. Thus, CSR has no effect on tax avoidance. This research is in line with that of Apriliyana & Suryarini (2018) and Lionita & Kusbandiyah (2017), which also states that CSR has no effect on tax avoidance.

However, this research contradicts the findings of Yustin & Effendi (2021) and Anggraeni & Hastuti (2020), who suggested that corporate social responsibility (CSR) activities have a significant influence on tax avoidance. In contrast, the current study indicates that the presence or absence of tax avoidance practices within a company is not necessarily determined by the quality or effectiveness of its CSR initiatives. This discrepancy may stem from the strategic motivations behind a company's CSR programs.

Many companies engage in CSR primarily to fulfill regulatory requirements or to enhance their public image, rather than out of a genuine commitment to social responsibility. Such companies may view CSR as a tool for reputation management, aiming to project an image of ethical conduct and corporate citizenship without addressing underlying governance issues. As a result, their CSR activities may lack substance and fail to reflect the actual needs of the surrounding environment or stakeholders (Apriliyana & Suryarini, 2018). This superficial approach can lead to a disconnect between CSR efforts and broader ethical considerations, such as tax compliance.

Moreover, when CSR initiatives are implemented solely to meet external expectations, they may not be integrated into the company's core values or operational strategies. This compartmentalization means that while the company outwardly promotes social responsibility, internal practices such as tax planning may still prioritize profit maximization over ethical conduct. Consequently, CSR activities in such companies may not exert significant influence over decisions related to tax avoidance, highlighting the need for more authentic and strategically aligned CSR efforts to foster genuine corporate accountability.

The Influence of Company Size, Leverage, and Profitability on Tax Avoidance

Based on Table 6, company size (SIZE) has a P-value of 0.550>0.05. Thus, company size as a control variable does not affect tax avoidance. Leverage (LEV) has a P-value value of 0.018<0.05 with an original sample of 0.162, so leverage as a control variable has a positive effect on tax avoidance. The P-value value of ROA is 0.009<0.05, with the original sample value being -0.162, so ROA as a control variable has a negative effect on tax avoidance.

Table 7. Sobel Test with Control Variables

Variables	T statistics (|O/STDEV|)	P values
INST --> CSR --> ETR	0,9659779	0,33405524
ACSIZE --> CSR --> ETR	-0,96495855	0,33456557
ACEXP--> CSR --> ETR	0,91062162	0,36249477

Source: Output SmartPLS (2023)

The Effect of Institutional Ownership on Tax Avoidance Mediate by CSR

Based on Table 7, institutional ownership (INST) has a T-Statistics value of 0.9659779<1.96 and a P-value of 0.33405524>0.05, so H8 is rejected. Thus, corporate social responsibility is unable to mediate the influence of institutional ownership on tax avoidance. This finding contradicts agency theory by Jensen and Meckling (1976), which states that institutional ownership has the strategic authority to play an active role in participating in CSR activities so that the existence of good CSR by companies can reduce tax avoidance practices.

This finding aligns with the research conducted by Pratiwi (2018), which concluded that institutional ownership does not significantly influence tax avoidance, either directly or indirectly through corporate social responsibility (CSR). According to this perspective, institutional investors may not always exert effective control over management's strategic decisions, including tax planning practices. Their primary focus might be on financial performance and returns rather than on influencing ethical aspects such as tax compliance or CSR initiatives. As a result, their presence does not necessarily translate into reduced tax avoidance, nor does it guarantee meaningful CSR engagement.

However, this result stands in contrast to the findings of Dakhli (2022), who suggested that CSR can act as a mediating factor between institutional ownership and tax avoidance. In his view, institutional investors can indirectly influence tax-related behaviors by promoting robust CSR practices. When institutional owners prioritize CSR, they encourage companies to adopt more ethical and transparent business practices, which can lead to reduced tax avoidance. This mediation suggests that CSR acts as a conduit through which institutional investors enforce ethical standards, aligning corporate actions with broader social and regulatory expectations.

The divergence between these findings may be attributed to differences in institutional investor behavior across contexts or industries. For example, in some settings, institutional investors may actively advocate for CSR as part of their governance strategy, using it as a tool to mitigate aggressive tax practices. In other contexts, institutional owners may adopt a more passive role, focusing solely on financial returns without emphasizing CSR or ethical compliance. This variation highlights the complex and multifaceted relationship between institutional ownership, CSR, and tax avoidance, suggesting that the effectiveness of CSR as a mediating variable depends on the specific strategies and priorities of institutional investors.

The Influence of Company Size on Tax Avoidance Mediate by CSR

Based on Table 7, the audit committee size variable (ACSIZE) has a T-Statistics value of -0.96495855<1.96 and has a P-value of 0.33456557>0.05, so H9 is rejected. Thus, corporate social responsibility is unable to mediate the influence of audit committee size on tax avoidance. This finding does not align with agency theory as proposed by Jensen and Meckling (1976), which suggests that larger audit committees enhance corporate social responsibility (CSR) disclosure effectiveness (Farida & Sugesti, 2023). A larger audit committee is expected to bring a broader range of perspectives, skills, and experiences, leading to more rigorous oversight and better governance. This diversity theoretically fosters comprehensive CSR monitoring and ensures that ethical considerations, such as transparency and social responsibility, are integrated into corporate strategy. Companies committed to robust CSR practices are generally less likely to engage in activities like tax avoidance, as such behaviors could undermine their reputation and stakeholder trust.

Furthermore, the findings also diverge from the conclusions of Yustin & Effendi (2021), who argued that CSR can mediate the relationship between Good Corporate Governance (GCG) and tax avoidance. In their research, the size of the audit committee is considered a key indicator of GCG. The underlying assumption is that a larger audit committee strengthens governance mechanisms, which in turn promotes ethical behavior, including responsible tax practices, through enhanced CSR initiatives. In this framework, CSR serves as an intermediary, ensuring that GCG principles translate into tangible ethical outcomes, such as reduced tax avoidance.

The inconsistency observed in this study may stem from the practical challenges faced by larger audit committees. While theoretically beneficial, an increase in committee size does not always guarantee effective oversight. Larger committees may encounter coordination issues, conflicting viewpoints, or diluted accountability, which can reduce their efficiency. Additionally, CSR initiatives may be implemented superficially to meet regulatory requirements or enhance corporate image rather than being integrated into the company's core governance strategy. As a result, the size of the audit committee alone may not be sufficient to influence tax practices unless it is accompanied by a strong ethical culture and a genuine commitment to CSR.

The Influence of Audit Committee Expertise on Tax Avoidance Mediate by CSR

According to Table 7, the T-Statistics value for the accounting and financial expertise of audit committee members (ACEXP) is 0.91062162, which is less than 1.96, and the P-value is 0.36249477, exceeding 0.05. Therefore, H10 is rejected. Consequently, corporate social responsibility does not mediate the impact of the accounting and financial expertise of audit committee members on tax avoidance.

This finding challenges the agency theory proposed by Jensen and Meckling (1976), which suggests that audit committees play a pivotal role in overseeing both financial and non-financial reporting, including corporate social responsibility (CSR) disclosures. According to this theory, a well-functioning audit committee ensures transparency and accountability by scrutinizing management's activities, thus aligning corporate actions with stakeholder interests. Effective CSR disclosure is expected to reflect a company's commitment to ethical practices, promoting responsible behavior and deterring activities like tax avoidance that could damage its reputation.

The rationale behind this theoretical perspective is that companies engaged in meaningful CSR initiatives are motivated to maintain a positive public image and foster trust with stakeholders. Engaging in aggressive tax avoidance could undermine these efforts, as such practices are often viewed negatively by the public and can attract regulatory scrutiny (Idzniah & Bernawati, 2020; Supriyati & Hapsari, 2021). Therefore, companies with robust CSR reporting are anticipated to be more cautious in their tax strategies to avoid reputational risks.

However, the findings suggest that the mere presence of an audit committee does not always translate into effective oversight of CSR-related matters or influence tax avoidance behavior. This discrepancy may arise because audit committees often prioritize financial reporting and compliance with accounting standards over non-financial aspects like CSR. Additionally, some companies might adopt CSR practices primarily for symbolic purposes or to fulfill regulatory requirements, rather than as a genuine commitment to ethical behavior. As a result, their CSR disclosures may not reflect true corporate values or significantly impact strategic decisions related to tax practices.

In summary, while agency theory highlights the potential role of audit committees in enhancing CSR and reducing tax avoidance, practical challenges such as competing priorities, superficial CSR initiatives, and the limited scope of audit committee oversight may weaken this relationship. This underscores the need for a more integrated approach where ethical considerations and CSR commitments are embedded into the core governance and decision-making processes.

CONCLUSION

This study finds that institutional ownership, audit committee size, and the accounting and financial expertise of audit committee members, as well as corporate social responsibility, do not have a significant impact on tax avoidance, regardless of the inclusion of control variables. Institutional ownership has a positive effect on corporate social responsibility (CSR), whereas the size of the audit committee negatively influences CSR. The accounting and financial expertise of audit committee members does not demonstrate a significant impact on corporate social responsibility (CSR). Additionally, CSR does not serve as a mediator in the relationship among institutional ownership, audit committee size, and the financial expertise of audit committee members concerning tax avoidance.

These findings suggest that companies and governments need to carefully consider corporate governance mechanisms to reduce tax avoidance practices. Strengthening oversight functions and tightening regulatory frameworks could help ensure companies meet their tax obligations. Future research can expand by incorporating other ownership structures such as managerial, governmental, and family ownership, which may offer more comprehensive insights into tax avoidance behavior. Additionally, exploring different audit committee characteristics, such as meeting frequency, gender diversity, and independence, could provide a more nuanced understanding of their impact on corporate tax strategies.

Theoretical contributions of this study lie in extending the agency theory framework by examining the role of CSR as a potential mediator in corporate governance and tax avoidance relationships. Practically, the study provides valuable insights for companies to enhance their governance practices and CSR initiatives to foster transparency and reduce tax-related risks. For policymakers, the results highlight the importance of enforcing stricter tax regulations and promoting responsible corporate practices to safeguard national tax revenues. By addressing these aspects, organizations can create a more accountable corporate environment, ultimately benefiting both shareholders and the broader economic system.

Abbreviations

Corporate Social Responsibility (CSR), Directorate General of Taxes (DJP), Republic of Indonesia Financial Audit Agency (BPK RI), Central Government Financial Report (LKPP), Large-Scale Social Restrictions (PSBB), State budget (APBN), Good Corporate Governance (GCG), PT Indofood Sukses Makmur Tbk. (INDF), PT Indofood CBP Sukses Makmur Tbk. (ICBP), return on assets (ROA), Structural Equation Model (SEM).

Authors' contribution

RR conceptualized, analyzed, and interpreted the data. *AA* refined and revised the final manuscript.

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