



CORPORATE SOCIAL RESPONSIBILITY AND TAX AVOIDANCE IN NIGERIA: MODERATING ROLE OF FEMALE DIRECTOR PRESENCE

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Abstract

This study explores the moderating role of female director presence on the relationship between corporate social responsibility and tax aggressiveness policy in Nigeria. The study consists of a panel of all non-financial firms in Nigeria, spanning from year 2013 to 2022. The regressors used to measure corporate social responsibility include, social donation and gifting information disclosure, employee relations' information disclosure, occupational health and safety information disclosure, customer relations' information disclosure and non-discrimination information disclosure. Meanwhile, the regressed is tax avoidance proxy by non-debt tax shield. The Hausman test supported the Random effect model. The study affirmed and concludes that, the existence of a female director moderated adversely between social contribution information disclosure and tax evasion among listed non-financial firms in Nigeria and Ghana from 2013 to 2022. Meanwhile, the presence of female directors moderates positively among customer relations information disclosure, employee health and safety information disclosure, and tax avoidance. On this basis, the paper submits that, more social donation and gifting information should be disclosure. Also, the management of the sampled companies should invest more on occupational health and safety information disclosure. Lastly, more women should be given sensitive positions in the board room.

Keywords: Corporate Social Responsibility, Tax Avoidance, Moderating Role, and Female Director Presence

INTRODUCTION

The relationship between corporate social responsibility (CSR) and corporate tax evasion has been a hot topic in recent years. The relationship between the two disciplines was originally identified by Freedman (2003), who argued that "businesses should adopt corporate social

responsibility standards on taxation." Several scholarly works, including those from Non-Governmental Organizations (NGOs), the Institute of Business Ethics (IBE), and the Tax Justice Network (TJN), consider tax avoidance to be an ethical issue, noting that "avoiding taxes by 'bending' the rules of the tax system is not illegal, but seen as operating within the letter rather than the spirit of the law (Mao & Chih-Wen, 2018).

Despite all efforts to address corporate tax evasion, the phenomena remain a key concern for academic review (Dyreg, Halon, Maydew, & Thornock, 2017). Davis, Guenther, Krull, and Brian (2016) show that the evident advantages of tax saving strategies may be offset by the cost of such tax saving strategies, which may be either tax-cost or non-tax character. Tax avoidance costs and benefits may accrue to various stakeholders in different ways, such that although some stakeholders may gain from tax avoidance, others may incur the expense. As a result, it becomes necessary to incorporate all important stakeholders in the equation.

synonymously, tax avoidance is also considered as aggressive tax behaviour, tax planning, tax sheltering, tax management, irresponsible tax aggressiveness, and, in some extreme cases, tax evasion (Hoi, Wu, & Zhang, 2013), is used interchangeably in this study to refer to all corporate tax planning activities, whether legal, illegal, or anything in the grey area.

The importance of stakeholders is particularly stressed in CSR principles, which propose that CSR may be related to a firm's tax policy. It is no surprise that the International Organization for Standardization (ISO) adopted ISO 26000 on 'Guidance for social responsibility' in 2010, indicating that stakeholders are becoming increasingly aware of the benefits of firms' social responsibilities, to the point where they are now one critical factor that managers would consider during decision-making and management strategy. CSR is a particularly significant topic in company taxes since tax payments reflect a contribution to society and are seen as a method of distributing resources to non-shareholders (Huang & Watson, 2015).

The board of directors of a business is seen as a significant corporate governance system that exercises effective supervision of management actions linked to tax evasion (Vacca, Lazzi, Vrontis, & Fait, 2020). According to Hoseini, Safari, and Valiyan (2019), female gender personality features enable women to accept more rational and less hazardous judgments than males, which may manifest in enterprises' tax decisions to pay more attention to tax and the usage of tax incentives. Nonetheless, past research on the influence of female board directors on corporate tax evasion has focused on the direct relationship and has not evaluated the indirect channel. This research focuses on the moderating impact of the firm's distinctive structural and contextual qualities, which have major effects on organizational decision-making, motivation, and orientation. In this light, the purpose of this research is to investigate the moderating influence of female directors' presence on the link between CSR and tax aggressiveness policy.

LITERATURE REVIEW

Conceptual Review

Khan, Khwaja and Olken, (2016) define investment in tax-exempt assets as tax avoidance while Napitupulu, Situngkir and Edelia (2019) defined tax avoidance as an effort undertaken legally and safely by companies without violating the applicable taxation provisions. It consists of methods and techniques employed to take advantages of weaknesses contained within the tax laws and regulations. Consequently, Managers will usually find a way to minimize their tax

burden to maximize after tax returns benefits or to improve shareholder wealth. In general, the difference between tax avoidance and aggressive tax planning is vague. However, Organization for Economic Co-operation and Development (OECD), and EU Commission noted that what is not okay is tax planners misusing the legal arbitrage opportunities and the limitations of acceptable tax planning (Bulbuc, 2016). The impact of these two approaches on investor behavior is slightly different so that corporate tax evasion creates a negative mentality among investors and then reduces corporate stock prices, while there is no general effect for tax avoidance news because they are considered as legal activities (Blaufus, Möhlmann, & Schwäbe, 2019). However, one among the various strategies employed by managers to avoid tax burdens is the utilization of non-debt tax.

Non-debt (non-interest) tax shield represents a tax advantage for all expenses except for interest paid. It can be based on the tax-deductibility of R&D costs in a broader context. Bulbuc (2016) reported that debt and non-interest tax shields are mutually offset. Non-debt tax shields are expenses other than debt interest. Depreciation and amortization are the two main components of the non-debt tax shield. They are the behaviors that occur almost every day in the production and operation activities of businesses. As a result, businesses use non-debt tax shelters to save taxes while incurring minimal costs and risks. Meanwhile, the non-debt tax shield created by depreciation and amortization represents a non-cash cost.

Meanwhile, the definition of CSR lacks universality, and different interpretations have been given to it. It is a multifarious concept that lends itself to multiplicity of meanings (Cho, Chung, & Young, 2019). According to Ohiokha, Odion and Akhalumeh (2016) the concept of CSR requires that companies should map out and give effect to specific program in accordance with a well-defined social policy. Corporate social responsibility existence can be felt in many facets of the companies' corporate relationship with stakeholders which include suppliers, customers, employees, host community, owners of businesses, creditors, management, government, and the society. The concept may also relate to the tackling of pollution problems, poverty and ethnic discrimination and parochial interests, product safety, misleading advertising, consumer complaints and smuggling (Suleiman & Abubakar, 2021).

Theoretical Framework

The Triple Bottom Line (TBL) was used to underpin the study. The theory stresses that, People, Planet and Profit, a term coined by Elkington in 1998, has become an influential approach all over the world (Svensson & Wagner, 2015). This model set up the key long-term strategies for companies making the transition to sustainability based on three important dimensions of sustainable development; environmental quality, social equity, and economic benefits (Elkington, 1998). The social dimension – People – encompass the impact of an organisation on the people's welfare, including both employees and addressing issues like education assistance community interaction, charitable causes, and fair practices. A prevailing topic in this dimension is the increase in Corporate Social Responsibility (CSR) initiatives which has been receiving considerable focus not only research but also on corporate strategies and operations. A growing body of research suggests positive relationships between CSR behaviour and consumers' attitudes toward organisations.

Empirical Literature

Utami, Setiawan, and Noviari (2021) investigated the impact of Corporate Social Responsibility-CSR disclosure (using the CSR index as a proxy) on tax evasion (as assessed by effective tax rates-ETR), with financial performance serving as a moderating variable. Over the 2017-2019 timeframe, tests were conducted on 25 mining firms listed on the Indonesia Stock Exchange. According to the findings of the study, CSR has a positive and considerable impact on tax evasion. CSR has a strong and favorable impact on financial success. According to the above-mentioned Nigerian research (Obloh and Omoregie 2021), ROA and CSR have a positive link with tax evasion, whereas firm size has a negative non-significant relationship with tax avoidance. Wijaya and Mulya (2020) investigated the influence of CSR on TAG and its impact on financial performance in vain. Purposive sampling strategies were employed to pick mining businesses that were listed on the Indonesia Stock Exchange between 2012 and 2017. The findings revealed that CSR has no significant influence on tax avoidance, that tax avoidance has a considerable effect on financial performance in the opposite direction, and that CSR has no significant effect on financial performance.

Jaffar, Derashid, and Taha (2021) investigated the amount of aggressive tax planning (ATP) among firms listed on Bursa Malaysia's Access, Certainty, and Efficiency (ACE) Market. Furthermore, this research looked at the link between firm characteristics, ethnicity, and ATP. The research used a balanced pooled sample of 105 company years-observations from 2014 to 2018. The information was obtained through DataStream and the downloadable yearly reports. Profitability and financial difficulties were shown to have a substantial association with ATP. Other factors, including as size, capital intensity, inventory intensity, leverage, and ethnicity, did not influence ATP.

Issah and Rodrigues (2021) investigated the relationship between CSR and corporate tax aggressiveness-TAG study utilizing data from 2003 to 2020 and a scientific metric technique. The results show that CSR and TAG researchers do not use broad relevant ideas and findings from studies beyond their clusters. Another result is that African nations continue to be under-explored in terms of CSR and TAG research owing to a lack of institutional representation and an appropriate number of scientists.

Hasan, Karavitis, Kazakis, and Leung (2019) investigated the link between corporate social responsibility and profit shifting. The authors discover that CSR is positively and substantially related with profit shifting using a profit-shifting metric created from global data for parent corporations and their overseas subsidiaries, which is compatible with the legitimacy theory and a risk-management approach. Overall, the authors believe that their findings indicates that multinational corporations with better CSR ratings move bigger amounts of earnings to their low-tax overseas subsidiaries, perhaps showing strategic planning in multinational organizations' choice of CSR expenditures.

Flamini, Vola, Songini, and Gnan (2021) studied the origins of TAG in a sample of private Italian family businesses. Their studies revealed that tax aggression is related to ownership concentration, the existence of independent board members, and the use of reporting tools. They discovered, however, a negative relationship between TAG and the employment of both strategic planning and a mixture of management control systems (both planning and reporting methods).

Dendeng and Fitriana (2020) want to experimentally demonstrate the effect of CSR and a youthful board of directors on TAG. This study's sample consists of 60 manufacturing businesses that were listed on the Indonesia Stock Exchange between 2016 and 2018. According to the study's findings, CSR has a considerable impact on the TAG. Meanwhile, the company's TAG is unaffected by the company's youthful board directors. The authors found that this finding is consistent with past studies that the greater CSR revealed predicts the company's tax aggressiveness.

Ling and Wahab (2019) investigate the link between book-tax differences (BTD), CSR, and stock market value in Malaysia. The results give evidence on shareholders' value of permanent and transient changes in the existence of CSR by examining data from 373 Malaysian non-financial public-listed firms from 2008 to 2015 using balanced-panel regression models. CSR has been demonstrated to positively increase stock value, which is consistent with legitimacy theory, in which corporations are thought to do actions in order to seem legitimate in the eyes of shareholders. The author concluded that when CSR and the BTD components interact, shareholders simultaneously and positively value permanent and temporary differences, implying that the strength of the relationships between permanent differences, temporary differences, and equity value is dependent on the company's CSR engagement.

Dewi and Gunawan (2019) investigated the impact of CSR disclosure on tax evasion and tested the role of the GCG component, audit committee, and independent commissioners in mitigating the impact of CSR on tax evasion. From 2012 to 2015, the research population consisted of manufacturing enterprises listed on the Indonesia Stock Exchange. A purposive sampling strategy was used to get 108 samples. The audit committee, as a moderating variable, weakens the positive influence of CSR on tax avoidance, but independent commissioners are not proven as moderating variables between the effects of CSR on tax avoidance in this study.

Mahmes (2018) explores Libyan CSR disclosure practices. A triangulation strategy is used to attain the study's goal. The findings show that the level of CSR in Libya is quite low when compared to a developed nation like the United Kingdom.

Gulzar, Cherian, Sial, Badulescu, Thu, Badulescu, and Khuong (2018) investigate whether corporate social responsibility (CSR) effects corporate tax avoidance (CTA) of Chinese listed businesses. The research used CSR ratings from Rankins (RKS), China's CSR ratings agency, and all financial data gathered from the China Stock Market and Accounting Research (CSMAR) for a sample of 3481 firm-year observations from 2009 to 2015. The authors discovered that CSR is adversely associated to the current and cash effective tax rates (proxies for corporate tax evasion), implying that more responsible enterprises engage in tax avoidance than less responsible firms. The authors found that their results are robust in the face of various control factors.

Hasibuan and Khomsiyah (2018) seek to investigate the impact of CSR and corporate governance (CG) on corporate tax aggressiveness, as well as the impact of CSR on tax aggressiveness that is tempered by CG. The financial statements of public firms listed on the Indonesia Stock Exchange (IDX) from 2014 to 2017 are the study's objectives. Multiple linear regressions are used to examine the data. The test findings suggest that CSR has a favorable influence on tax aggression, while corporate governance has no effect. The authors came to the

conclusion that corporate governance has no influence on reducing the effect of CSR on tax evasion.

METHODOLOGY

The *longitudinal* research design was employed in the study. The study geographical scope include Nigeria. The study covered seventy-five (75) non-financial firms in Nigeria as against 110 ten quoted non-financial firms on the Nigerian exchange group. The study employed secondary data that were sourced from each selected listed firm’s annual audited financial report (2022).

The study adapted the model of Zeng (2018). Succinctly, the econometric form of the model employed in this study is expressed as.

$$TAXA_{it} = \beta_0 + \beta_1SODD_{it} + \beta_2EMPD_{it} + \beta_3H\&SD_{it} + \beta_4CUSD_{it} + \beta_5NDID_{it} + \beta_6SODD_{it}*FDP_{it} + \beta_7EMPD_{it}*FDP_{it} + \beta_8H\&SD_{it}*FDP_{it} + \beta_9CUSD_{it}*FDP_{it} + \beta_{10}NDID_{it}*FDP_{it} + \beta_{11}FSIZE_{it} + \mu_{it}$$

Where:

- β_0 = Constant Term
- $\beta_1- \beta_{11}$ = Slope Coefficient
- μ = Stochastic disturbance
- i = i^{th} firm
- t = period

Table 1
Operationalization/ Definition of Variables

S. Variables	Definition	Source
1 Tax Avoidance	Computed as depreciation and amortization divided by total asset	Goh, Lee, Lin Shevlin (2016)
2 Social Donation Disclosure	Measured as dummy (0,1) “1” for Reporting of social donation and gifting and “0” otherwise.	Illia & Piserà (2016)
3 Employee Relation Disclosure	Employee Disclosure in dummy (1,0) is measured as "1" for companies that have a section in the Annual Report for human resources, employee training and employee relations and "0" otherwise	Chen, et., al (2012)
4 Health & Safety Disclosure	Measured as dummy “1” for Reporting of employee health and safety policies and “0” otherwise	Chen, et., al (2016)
5 Customer Relation Disclosure	Customer Relation Disclosure in dummy (1,0) is measured as "1" for companies that have a section in the Annual Reports for customer relation/complaints and "0" otherwise	Herlina, (2021)
6 Corporate Non-Discrimination Information Disclosure	Corporate non-discrimination information Disclosure is measured in dummy (1,0) as "1" for companies that have a section in the Annual Reports for non-discrimination and "0" otherwise	Endrikat, Villi Guenther, T. a Guenther (2022)
7 Female Director Presence (Moderator Variable)	Computed as total number of female director seated on the board.	Chen, et., al (2022)

Source: Author’s Compilation (2023)

RESULTS AND DISCUSSION

Descriptive Statistics

In the descriptive statistics, each variable was examined based on its mean, standard deviation, maximum and minimum values. Table 2 displays the descriptive statistics for the study.

Table 2

Descriptive Statistics

Variable	Mean	Std. Dev.	Min.	Max.	No Obs
TAXA	3.879	3.745	0	49.88	758
EMPD	0.547	0.498	0	1	758
SODD	0.778	0.416	0	1	758
HSD	0.938	0.241	0	1	758
CUSD	0.262	0.440	0	1	757
NDID	0.796	0.404	0	1	758
FDP	1.175	1.149	0	5	755
FSIZE	7.089	0.862	-17.97	5.03	758

Table 2 shows the descriptive statistics of the study. Tax avoidance (TAXA) had a mean value of 3.879 which corresponds to a standard deviation value of 3.745. Further, EMPD showed a mean value of 0.547 corresponding to a standard deviation of 0.498 during the period under review. Again, SODD reported an average of 0.778 and a standard deviation of 0.416. Additionally, HSD showed a mean of 0.938 corresponding to a standard deviation of 0.241 for the sampled firms in Nigeria. On the variable of customer relation information disclosure (CUSD), the result revealed mean value of 0.262 corresponding to a standard deviation of 0.440 for the sampled firms in Nigeria during the period under consideration.

Furthermore, NDID a mean of 0.796 corresponding to a standard deviation of 0.404 was reported for the sampled firms in Nigeria. For the moderator variable, Female Director Presence (FDP), had a mean of 1.175 corresponding to a standard deviation of 1.149 for the sampled firms in Nigeria. Lastly, FSIZE, as the control variable showed a mean value of 7.089 corresponding to a standard deviation of 0.862 for the sampled firms in Nigeria.

Table 3

Normality Test

VARIABLE	NIGERIA	
	Z	Prob>z
TAXA	12.34	0.0000
EMPD	-7.15	0.0000
SODD	2.25	0.0121
HSD	7.02	0.0000
CUSD	2.13	0.0166
NDID	2.69	0.0035
FDP	6.12	0.0000
FSIZE	3.95	0.0000

From Table 3, it was observed that the dependent variable TAXA had a z-statistics value of 12.34 with a Probability Z-statistics of 0.0000. By implication, TAXA is normally distributed. In the case of EMPD, a Z –statistics of -7.15 and a probability value of 0.0000 was reported. This implies that EMDP is not normally distributed.

Further, SODD reported a Z-statistics of 2.25 and probability value of 0.0121 which showed that SODD is not normally distributed since the probability of the z-statistics is less than 5%. Again,

HSD reported Z-statistics of 7.02 and probability value of 0.0000. This showed that HSD is not normally distributed since the probability of the z-statistics is significant at 1% level.

It was observed that CUSD had a Z-statistics of 2.13 and p-value of 0.0166. This implies that the distributions are not normal since the probability of the z-statistics is less than 5% level. Again, NDID reported a Z-statistics of 2.69 and p-value of 0.0035. By implication, NDID is not normally distributed since the probability of the z-statistics less than 5% level.

In the case of FDP, a Z-statistics of 6.12 and probability value of 0.0000 was reported. This implies that FDP is not normally distributed since the probabilities of the z-statistics is less than 5% significance level. Again, FSIZE reported a Z-statistics of 3.95 and p-value of 0.0000. This implies that FSIZE is not normally distributed since the probability of Z-statistics is less than 5% level of significance.

Table 4

Correlation Analysis Result

SAMPLE	TAXA	EMPD	SODD	HSD	CUSD	NDID	FDP	FSIZE
TAXA	1.0000							
EMPD	0.0503	1.0000						
SODD	0.0822	0.3416	1.0000					
HSD	-0.0487	0.2610	0.3909	1.0000				
CUSD	-0.0004	0.1381	0.0788	0.1165	1.0000			
NDID	0.0948	0.1730	0.2017	0.3901	0.0820	1.0000		
FDP	0.0265	0.0264	-0.0130	-0.0287	-0.0499	-0.0093	1.0000	
FSIZE	0.0623	-0.1254	-0.1420	-0.0946	0.0206	-0.1631	0.3283	1.0000

Source: Author’s Computation (2023)

The correlation between TAXA and EMPD (having a coefficient value of 0.0503) showed that there exists a positive association. Similarly, there exists a positive association between TAXA and SODD (having a coefficient value of 0.0822).

Further, analysis suggest that there exists a negative association between TAXA and HSD (having a coefficient value of -0.0487). Again, the association between TAXA and CUSD revealed negative relationship (having a coefficient value of -0.0004).

It was also observed that there exists a positive association between TAXA and NDID (having a coefficient value of 0.0948). Likewise, TAXA and FDP as moderating variable evidenced a positive relationship (with a coefficient value of 0.0265). The same positive trend was observed for the control variable, firm size (FSIZE). In its case, there is a positive association between TAXA and FSIZE (with a coefficient value of 0.0623).

Regression Analysis

The panel data estimate was used to test the research hypotheses. The regression estimate is presented thus:

Table 5
Regression Estimate

	CSR Model (Pool Least Square)	CSR Model (Fixed Effect)	CSR Model (Random Effect)	Tax Avoidance (Mixed Effect Model)
EMPD	0.194 (0.507)	0.115 (0.702)	0.104 (0.715)	0.194 (0.505)
SODD	0.963*** (0.009)	1.153** (0.016)	1.048** (0.015)	0.963* (0.008)
HSD	-1.572** (0.015)	-0.462 (0.475)	-0.598 (0.332)	-1.572** (0.015)
CUSD	-0.696** (0.025)	0.100 (0.837)	-0.208 (0.617)	-0.696** (0.024)
NDID	1.210*** (0.001)	0.184 (0.666)	0.422 (0.285)	1.210*** (0.001)
FSIZE	0.465*** (0.004)	-0.201 (0.324)	-0.026 (0.890)	0.465** (0.003)
CON	0.420 (0.748)	4.611*** (0.004)	3.489** (0.018)	0.420 (0.747)
F-/Wald	4.88*** (0.000)	1.34 (0.237)	8.40 (0.2101)	29.57*** (0.000)
R ²	0.0376	0.0118	0.0098	
VIF	1.18			
Hausman	8.27 (0.2187)			

Breusch and Pagan Lagrangian Multiplier Test for Random Effect

Chi² bar = 597.75

Prob > chi² bar = 0.0000

Tests for Skewness and Kurtosis

Joint Test for Normality on e: CHI²(2) = 19.37 Prob > Chi² = 0.0001

Joint Test for Normality on U: CHI²(2) = 16.33 Prob > Chi² = 0.0003

Source: Authors Computation (2023)

The R-squared value of 0.0376 in table 5 indicates that the regressor and moderating variables in the model jointly explain nearly 4% of the systematic fluctuations in TAXA of listed non-financial enterprises in Nigeria. Furthermore, the F-statistic value of 4.88 and associated p-value of 0.000 suggest that the stated model is statistically significant at the 1% level, but a mean VIF value of 1.18 indicates that multicollinearity is absent. The F-statistic and Wald-statistic values [8.40 (0.210)] for random effect regression models suggest that the models are statistically significant. The Hausman test demonstrated that the random effect model outperformed the fixed effect model.

The finding that the existence of a female director had a negative significant moderating impact on the association between social contribution information disclosure and tax evasion among listed non-finance corporations in Nigeria from 2013 to 2022 is noteworthy. This result supports the ideas of various hypotheses that have been discussed before. According to the Agency Theory, gender-diverse boards are typically seen as better at monitoring owing to their different viewpoints. Female directors may bring a distinct set of beliefs and objectives to corporate social responsibility (CSR), particularly social philanthropy operations, in this setting.

The moderated regression analysis result, indicating that the presence of female directors positively moderates the relationship between the two independent variables customer relations information disclosure, employee health and safety information disclosure, and tax avoidance, suggests an intriguing and nuanced finding.

The presence of female directors has a positive moderating effect on the relationship between both independent variables and tax avoidance, implying that in firms with a higher representation of female directors on the board, the relationship between customer relations, employee health and safety information disclosure, and tax avoidance becomes stronger in terms of a positive association. In other words, when customer and employee health and safety information is revealed and female directors are more prevalent, the business is more likely to participate in tax avoidance activities that result in higher non-debt tax shield values. This is characteristic of the stakeholder approach, which suggests that organizations with a greater female director presence may be more sensitive to stakeholder expectations about transparency and social responsibility. Among the various practical consequences is that businesses should coordinate their corporate strategy in such a manner that customer satisfaction, employee well-being, and safety are integrated with appropriate tax planning. This connection may result in long-term, ethical business practices that benefit both the company and its stakeholders.

CONCLUSION AND RECOMMENDATION

Based on the various findings, the study concludes that, the existence of a female director moderated adversely between social contribution information disclosure and tax evasion among listed non-financial firms in Nigeria from 2013 to 2022. Meanwhile, the presence of female directors moderates positively among customer relations information disclosure, employee health and safety information disclosure, and tax avoidance. On this basis, the paper submits that, more social donation and gifting information should be disclosure. Also, the management of the sampled companies should invest more on occupational health and safety information disclosure. Lastly, more women should be given sensitive positions in the board room.

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