



The Impact of Institutional Ownership and Managerial Ownership on Tax Avoidance With Corporate Social Responsibility As a Mediating Variable

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ABSTRACT

The purpose of this research is to explore the impact of institutional and managerial ownership on tax avoidance behavior, with Corporate Social Responsibility (CSR) functioning as a mediating variable. The study utilizes a sample of 40 energy sector firms listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period, yielding a total of 81 observations selected via purposive sampling. Data were analyzed using t-test and sobel test. The findings reveal that institutional ownership has a significant negative effect on tax avoidance, while managerial ownership and CSR show significant positive effects. However, neither institutional nor managerial ownership significantly affects CSR, and CSR does not mediate their relationship with tax avoidance

INTRODUCTION

Tax avoidance has become a threat to global financial stability. As reported in the 2023 edition of *The State of Tax Justice* by the Tax Justice Network, approximately US\$480 billion in tax revenue is lost globally each year as a result of tax avoidance practices. The majority of these losses, specifically \$311 billion, stem from profit shifting practices by multinational corporations. The remainder, \$169 billion, is caused by conglomerates concealing their wealth offshore. The same report revealed that Indonesia suffers an annual tax loss of \$2,806.3 million. Corporate tax abuse is the dominant factor causing this loss, amounting to \$2,736.5 million, which is equivalent to 0,27% of Indonesia's Gross Domestic Product (GDP) (Tax Justice Network, 2023).

Indonesia's vast natural resource potential positions the energy sector, as reflected in the performance of the mining sector, as one of the main pillars of the country's economy. The mining sector's contribution to the Gross Domestic Product (GDP) shows a fluctuating trend, namely 10,43% (2021), 12,22% (2022), and 10,5% (2023). Meanwhile, the Ministry of Finance shows that the mining sector's contribution to tax revenue was 5,1% in 2021, increasing to 8,3% in 2022, and reaching 9,4% in 2023. There is a significant difference between the mining sector's contribution to Gross Domestic Product (GDP) and its contribution to state tax revenue. This means that this sector contributes more to Gross Domestic Product (GDP) than it does to state coffers through taxes. The low contribution of tax revenue, which is not commensurate with the sector's potential, coupled with the lack of supervision in the mining sector, raises strong suspicions of tax avoidance among companies in the energy sector (Herlin & Mu'arif, 2024).

The existence of opportunities for tax avoidance among firms necessitates the application of Good Corporate Governance (GCG) practices, which operate as a framework for monitoring and managing corporate behavior to improve governance standards. GCG also emphasizes how companies apply rules and policies in the decision-making process so that company performance can be monitored, evaluated, and accounted for (Putri & Lawita, 2019).

Therefore, this study uses institutional ownership and managerial ownership as independent variables because both types of ownership are part of the ownership structure and Good Corporate Governance (GCG) mechanisms that complement each other in overseeing management performance and protecting the interests of shareholders, and have the potential to influence tax avoidance practices. Institutional ownership is defined as the percentage of a company's outstanding shares that are held by institutional investors, including insurance firms, banks, limited liability corporations, government agencies, and other legally constituted entities. Meanwhile, managerial ownership occurs when a manager has dual interests, namely as a company manager and as a shareholder (Septanta, 2023).

This study also considers the role of Corporate Social Responsibility (CSR) as a factor mediating institutional ownership and managerial ownership on tax avoidance, recognizing CSR as an essential component of contemporary Good Corporate Governance (GCG). The regulation concerning Corporate Social Responsibility (CSR) is articulated in Article 1, paragraph (3) of Law Number 40 of 2007 on Limited Liability Companies, which affirms that corporations are socially responsible for their surrounding environment. This legal provision aligns with the broader international agenda of achieving the Sustainable Development Goals (SDGs). The principal aim of CSR is to ensure that companies contribute actively to the promotion of social and environmental well-being, while simultaneously generating added value for all stakeholders involved (Hidayat & Novita, 2023).

According to the background described above, this study will conduct a more in-depth analysis under the title **“The Impact of Institutional Ownership and Managerial Ownership on Tax Avoidance with Corporate Social Responsibility as a Mediating Variable.”**

LITERATURE REVIEW

Agency Theory

Jensen and Meckling (1976) conceptualize agency theory as a framework that explains the firm as a nexus of contracts, wherein the principal (the owner) entrusts managerial authority to the agent (the manager), who is obligated to act in alignment with the principal's objectives. This dynamic frequently results in conflicts of interest, primarily due to divergent goals between the two parties and the presence of information asymmetry. Managers, as the people who manage the company, have more complete information about the business conditions and strategies than shareholders, so they have the potential to act opportunistically to maximize their personal interests. One form of opportunistic behavior is reflected in the practice of tax avoidance, where managers can adopt aggressive tax policies to increase short-term profits or stock value, which has a direct impact on their compensation (Ratnasaria & Nuswantara, 2020).

Stakeholder Theory

Stakeholder theory views companies as entities that have a social responsibility to create value for all stakeholders, not just shareholders. A company is considered successful if it is able to exceed financial profits by demonstrating responsibility and an active role in improving social welfare and environmental sustainability (Ghozali & Chariri, 2014). CSR serves as an integrative approach that mediates between the company's internal priorities and the concerns of external stakeholders, ensuring that corporate activities produce favorable impacts not only for the enterprise but also for the social and environmental contexts in which it operates (Anggraeni & Djakman, 2018).

Hypothesis Development

The Effect of Institutional Ownership on Tax Avoidance

Agency theory states that institutional ownership has the potential to reduce agency issues because it can maximize oversight of manager performance. Institutional shareholders have greater capabilities and opportunities than individual shareholders (Dewi, 2019). Institutional shareholders will monitor and ensure that management presents reliable financial reports and makes decisions aimed at optimizing shareholder profits. As a result, firms are encouraged to enhance the accuracy and transparency of their financial disclosures, thereby mitigating the risk of engaging in tax avoidance practices (Afrika, 2021).

Research by Qawqzeh (2023) and Darsani & Sukartha (2021) indicate that institutional ownership negatively influences tax avoidance. In contrast, findings from Simamora & Sari (2025) and Wardana & Asalam (2022) suggest a positive relationship between institutional ownership and tax avoidance..

H1: Institutional ownership has a negative effect on tax avoidance

The Effect of Managerial Ownership on Tax Avoidance

Agency theory identifies the divergence of interests between principals and agents as a central issue in corporate governance. This divergence can be addressed through interest-aligning mechanisms, such as managerial ownership, where managers hold a portion of the company's shares. Greater equity participation by management aligns their decision-making more closely with shareholder goals (Niandari & Yustrianthe, 2020). A high level of managerial ownership in a company is believed to reduce opportunistic behavior by managers. When managers also serve as shareholders, they are more likely to be driven to make decisions that promote the overall well-being of the company. This alignment of interests helps reduce behaviors that could undermine the rights or interests of other shareholders, such as engaging in tax avoidance. (Rozan et al., 2023).

Wongsinhirun et al. (2024) and Putri & Gustinya (2023) provide evidence that managerial ownership reduces the likelihood of tax avoidance. Conversely, Qawqzeh (2023) and Niandari & Yustrianthe (2020) find that higher managerial ownership is associated with increased tax avoidance.

H2: Managerial ownership has a negative effect on tax avoidance

The Effect of Corporate Social Responsibility (CSR) on Tax Avoidance

According to stakeholder theory, businesses are accountable not only to shareholders but to a broader set of stakeholders. This accountability is reflected through social contributions, such as CSR initiatives, and through fulfilling governmental obligations like tax payments. Engaging in tax avoidance can negatively affect a company's reputation among stakeholders. Therefore, companies with a strong commitment to CSR often exhibit higher levels of responsibility, as evidenced by greater tax compliance and reduced engagement in tax avoidance activities (Ningrum et al., 2018).

Research by Susanto & Veronica (2022) and Chouaibi et al. (2021) concluded that CSR has a negative effect on tax avoidance. Meanwhile, research by Sim et al. (2024) and Hidayat & Novita (2023) revealed that CSR has a positive effect on tax avoidance.

H3: Corporate Social Responsibility (CSR) has a negative effect on tax avoidance

The Effect of Institutional Ownership on Corporate Social Responsibility (CSR)

Institutional ownership, as a stakeholder with a significant shareholding, has a strong influence in shaping the direction and policies of a company, including in terms of Corporate Social Responsibility (CSR) (R.L, 2020). Compared to other types of ownership, institutional ownership has stronger oversight capacity over management policies. Therefore, they can effectively encourage management to disclose relevant information about company activities. Consistent with the principles of stakeholder theory, a greater level of institutional ownership in a company is expected to enhance both the scope and quality of Corporate Social Responsibility (CSR) reporting (Yani & Suputra, 2020).

The results support prior research by Zhou et al. (2024) and Dakhli (2021), who found that institutional ownership positively influences CSR practices. However, contrary evidence is presented by Afriyanti & Luhglatno (2024) and Wahyuni (2022), who report a negative association between institutional ownership and CSR.

H4: Institutional ownership has a positive effect on Corporate Social Responsibility (CSR)

The Effect of Managerial Ownership on Corporate Social Responsibility (CSR)

A substantial level of managerial ownership has the potential to reinforce the relationship and motivate firms to place greater emphasis on CSR initiatives. This occurs because managers holding significant equity stakes are more likely to be driven by the desire to preserve the firm's positive reputation and fulfill stakeholder expectations (Sari & Handini, 2021). Thus, they will tend to make business decisions that consider social and environmental impacts, thereby increasing stakeholder trust and loyalty towards the company (Kholifah, 2022). From a stakeholder theory perspective, significant managerial ownership is considered a factor that promotes a balance between economic performance and social accountability, which ultimately supports sustainable corporate development.

This is also supported by research by Widiyanti & Dewi (2024) dan Lin & Nguyen (2022), which shows a positive influence, while research by Fitriani & Damayanti (2024) dan Dakhli (2021) finds a negative influence of managerial ownership on CSR.

H5: Managerial ownership has a positive effect on Corporate Social Responsibility (CSR)

The Role of CSR in Mediating the Effect of Institutional Ownership on Tax Avoidance

Institutional ownership serves a critical function in mitigating agency conflicts by enhancing managerial oversight. Institutional investors, equipped with sufficient resources and expertise, are well-positioned to evaluate managerial performance and conduct. Consequently, a higher level of institutional ownership is associated with more rigorous monitoring, which fosters greater transparency and accountability within the organization

(Andriani & Sudana, 2023). From a stakeholder theory perspective, institutional investors are oriented towards long-term interests by emphasizing the importance of corporate reputation and sustainability through increased Corporate Social Responsibility (CSR) disclosure (Latifah & Widiatmoko, 2022). Pressure from institutional investors also encourages companies to be more transparent and accountable in their CSR reporting, which reflects good management quality and strengthens market confidence (Zahroh et al., 2023). Commitment to sustainable CSR implementation ultimately creates value for all stakeholders and fosters compliance with tax obligations, thereby potentially reducing tax avoidance practices (Ramadhani & Az'mi, 2024).

This finding is reinforced by the study of Dakhli (2022), research, which concludes that Corporate Social Responsibility (CSR) partially mediates the relationship between institutional ownership and tax avoidance. Conversely, Shinta & Putra (2025) found that Corporate Social Responsibility (CSR) is ineffective as a mediating variable linking institutional ownership to tax avoidance behavior.

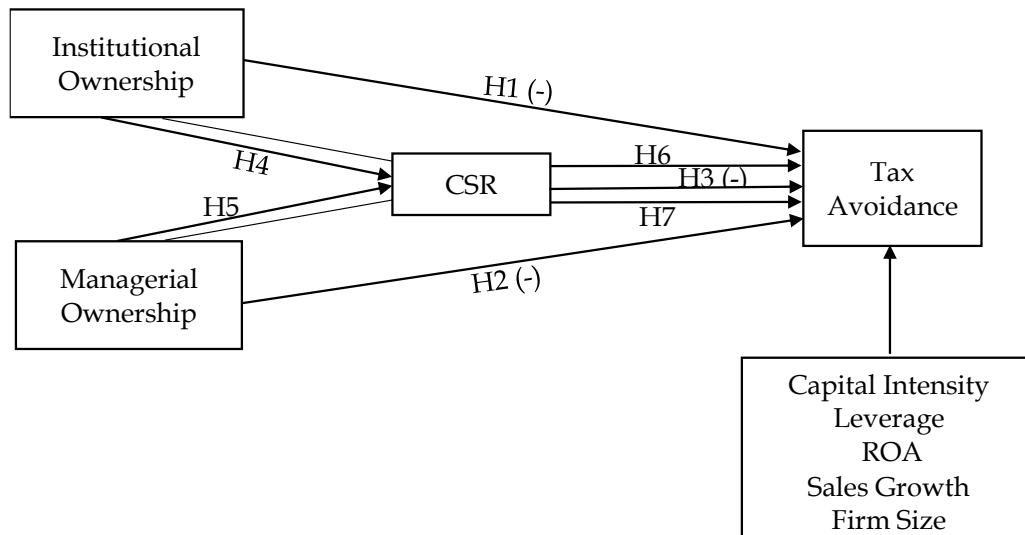
H6: CSR mediates the effect of institutional ownership on tax avoidance

The Role of CSR in Mediating the Effect of Managerial Ownership on Tax Avoidance

Managerial ownership represents a governance mechanism through which managerial and shareholder interests become more closely aligned, as managers assume the role of equity holders. This arrangement incentivizes managerial decision-making that supports long-term corporate value, given that managers are directly exposed to both the rewards and risks associated with the firm's financial outcomes (Sibuea & Arieftiara, 2022). Based on stakeholder theory, managerial ownership strengthens corporate social responsibility by encouraging management to adopt sustainable business practices that take social and environmental interests into account (Freeman, 1984).

Active participation in Corporate Social Responsibility (CSR) activities and disclosures reflects the company's commitment to community welfare and compliance with regulations, including tax obligations. This is because tax payments are a form of corporate social responsibility contribution to stakeholders through the state, so that managerial ownership is expected to increase transparency and reduce the tendency for tax avoidance (Amendy & Afandi, 2024).

H6: CSR mediates the effect of managerial ownership on tax avoidance



Source: Wongsinhirun et al. (2024), Kuo (2023), Dakhli (2022), and Cho & Ryu (2022)
Figure 1. Conceptual Framework

METHODOLOGY

A quantitative methodology is employed in this study, with the research sample comprising energy sector firms listed on the Indonesia Stock Exchange (IDX) between 2021 and 2023. Initially, there were 201 energy sector companies that became the research population. However, there were several elimination criteria.

- First, 24 companies were delisted during the research period.
- Second, 8 companies did not publish sustainability reports.
- Third, 39 companies suffered losses during the research period.
- Fourth, 9 companies had a CETR value >1.
- Fifth, 40 companies had extreme values (outliers).

After going through this selection process, the final sample used in this study consisted of 81 observations, comprising 20 companies in 2021, 31 companies in 2022, and 30 companies in 2023.

Tax avoidance is assessed using the Cash Effective Tax Rate (CETR), which is determined by dividing the amount of cash taxes paid by the profit before tax (Rakayana et al., 2021; Hidayat & Novita, 2023). Institutional ownership is evaluated based on the proportion of company shares held by institutional investors (Dakhli, 2022; Simamora & Sari 2025). Managerial ownership is measured by calculating the percentage of shares owned by the firm's management (Rozaan et al., 2023; Qawqzeh, 2023). Corporate Social Responsibility (CSR) is represented through disclosure practices aligned with the Global Reporting Initiative (GRI) standards (Andriani & Sudana, 2023; Santoso & Sari, 2024). The GRI 2021 standard contains 118 indicators that are used as a reference in the measurement.

This study uses five control variables consisting of capital intensity, leverage, Return On Asset (ROA), sales growth, and firm size. The Capital intensity variable is measured using a ratio that compares total fixed assets to total assets (Ulfa et al., 2021). Leverage is measured using the Debt to Equity Ratio (DER), which describes the ratio between total liabilities and the company's equity (Ibrahim et al., 2021; Praystya & Anggrainie, 2024). Return on Assets (ROA) is measured by comparing net income after tax with the company's total assets (Fadhila & Andayani, 2022; Rozan et al., 2023). is operationalized by calculating the difference between sales revenue in the current period and that of the previous period, which is then divided by the total revenue of the previous period (Wulandari & Purnomo, 2021; Wanti & Irawati, 2024). Firm Size is assessed using the natural logarithm of the company's total assets, reflecting the overall scale and economic capacity of the firm (Wulandari & Purnomo, 2021; Rozan et al., 2023).

The data were analyzed using SPSS version 25, employing several statistical techniques, including descriptive statistics, classical assumption testing, goodness-of-fit testing, multiple linear regression analysis, and hypothesis testing. The analytical models utilized in this study are as follows:

- (1) $TA = \alpha + \beta_1 KI + \beta_2 KM + \beta_3 CSR + \beta_4 CI + \beta_5 LEV + \beta_6 ROA + \beta_7 SG + \beta_9 SG + e$
- (2) $CSR = \alpha + \beta_1 KI + \beta_2 KM + e$

RESULT

Table 1. Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Std. Deviation
KI (X1)	81	0,1000	0,9995	0,842357	0,1589996
KM (X2)	81	0,0000	0,6756	0,031783	0,1098616
CSR (Z)	81	0,1780	0,9746	0,528978	0,1906999
TA (Y)	81	0,0000	0,6667	0,210556	0,1655385
CI (Control)	81	0,0019	3,5397	0,672577	0,7592448
LEV (Control)	81	0,0288	5,8766	0,980100	1,0677313
ROA (Control)	81	0,0000	0,6200	0,152469	0,1454092
SG (Control)	81	-0,9984	4,3642	0,342737	0,6688286
FS (Control)	81	22,5095	32,3600	28,924337	1,9631917
Valid N (listwise)	81				

Source: Data Processed Using SPSS V25, 2025

Table 1 displays the descriptive statistics, indicating that institutional ownership has an average of 0,842357, with values ranging from 0,1000 to 0,9995 and a standard deviation of 0,1589996. Managerial ownership shows a mean of 0,031783, a minimum of 0,1000, a maximum of 0,6756, and a standard deviation of 0,1098616. CSR reports an average value of 0,528978, with a minimum of 0,1780 and a maximum of 0,9746, accompanied by a standard deviation of 0,1906999. Tax avoidance reveals a mean of 0,210556, a minimum value of 0,0000, a maximum of 0,6667, and a standard deviation of 0,1655385.

Classical assumption testing is a fundamental methodological requirement that must be met before performing multiple linear regression analysis and hypothesis testing. The results of the Kolmogorov-Smirnov normality test indicate that both research models are normally distributed with significance values of $0,200 > 0,05$ (model 1) and $0,063 > 0,05$ (model 2). The results of the multicollinearity test show that all variables in both regression models (model 1 and model 2) are free from multicollinearity with tolerance values $> 0,10$ and $VIF < 10$. The results of the heteroscedasticity test using the Park test show that all variables in both regression models (model 1 and model 2) are free from heteroscedasticity because they have a significance value $> 0,05$. In model 1, the institutional ownership variable was 0,734; managerial ownership was 0,409; and Corporate Social Responsibility (CSR) was 0,531. Meanwhile, in model 2, institutional ownership had a significance value of 0,769, while managerial ownership was 0,398. The results of the autocorrelation test using the Run test show that both models are free from autocorrelation problems and have the same significance value, namely 0,314 and $> 0,05$.

The purpose of the goodness of fit test is to evaluate how well the regression model captures the relationship between the independent and dependent variables. The results of the coefficient of determination (R^2) test indicate that model 1 has an Adjusted R Square value of 0,440 (44%), suggesting that 44% of the variance in the dependent variable is accounted for by the independent variables included in the model, while the remaining 56% is attributed to other factors beyond the scope of this study. Conversely, model 2 yields a negative Adjusted R Square of $-0,016$ (-1,6%), implying that the explanatory power of the independent variables is negligible or lacks statistical relevance in predicting the dependent variable. Furthermore, the F-test results for model 1 reveal a significance value of 0,000, which is below the 0,05 threshold, and an F-statistic of 8,863, exceeding the critical F-value of 2,07. These findings confirm that the independent variables collectively exert a statistically significant influence on the dependent variable in model 1. On the other hand, model 2 records a significance level of 0,368, which exceeds 0,05, along with an F-statistic of 0,368 that falls short of the critical F-value of 3,11. This indicates that the independent variables in model 2 do not jointly have a significant effect on the dependent variable.

The multiple linear regression method is applied to evaluate the extent and nature of the association between one outcome variable and several explanatory variables (Ghozali, 2018). Interpretation of the regression results shows that in model 1 (dependent variable: tax avoidance), the constant is 1,137. Institutional ownership shows a negative relationship with tax avoidance (coefficient $-0,228$), which means that an increase in institutional ownership reduces tax avoidance practices. Conversely, managerial ownership (coefficient 0,277) and Corporate Social Responsibility (CSR) (coefficient 0,458) both show a positive relationship with tax avoidance, indicating that an increase in both has the potential to increase tax avoidance. Meanwhile, in model 2 (dependent variable: CSR), the constant is 0,427. Both institutional ownership (coefficient 0,120) and managerial ownership (coefficient 0,033) show a positive relationship

with CSR, which means that an increase in share ownership by institutions and managers is expected to increase CSR disclosure, assuming all other variables remain constant.

Table 1. T-Test

Model 1				
TA = $\alpha + \beta_1$ KI + β_2 KM + β_3 CSR + β_4 CI + β_5 LEV + β_6 ROA + β_7 SG + β_8 FS + e				
TA = 1,137 - 0,228 KI + 0,277 KM + 0,458 CSR - 0,082 CI + 0,003 LEV - 0,114 ROA - 0,085 SG - 0,031 FS + e				
Variable	Unstandardized B	T _{value}	T _{table}	Sig.
(Constant)	1,137	4,479		0,000
KI (X1)	-0,228	-2,246	-1,99346	0,028
KM (X2)	0,277	2,029	1,99346	0,046
CSR (Z)	0,458	5,563	1,99346	0,000
CI (Control)	-0,082	-3,702	-1,99346	0,000
LEV (Control)	0,003	0,221	1,99346	0,826
ROA (Control)	-0,114	-0,939	-1,99346	0,351
SG (Control)	-0,085	-3,815	-1,99346	0,000
FS (Control)	-0,031	-3,780	-1,99346	0,000
Model 2				
CSR = $\alpha + \beta_1$ KI + β_2 KM + e				
CSR = 0,427 + 0,120 KI + 0,033 KM + e				
Variable	Unstandardized B	T _{value}	T _{table}	Sig.
(Constant)	0,427	3,485		0,001
KI (X1)	0,120	0,854	1,99085	0,396
KM (X2)	0,033	0,163	1,99085	0,871

Source: Data Processed Using SPSS V25, 2025

Table 2 summarizes the t-test outcomes for the two regression models examined in this research. The first hypothesis proposed a negative relationship between institutional ownership and tax avoidance. The analysis yielded a regression coefficient of -0,228, a t-value of -2,246 (exceeding the critical t-value of -1,99346), and a significance level of 0,028, which is below the 0,05 threshold; hence, H1 is supported.

The second hypothesis posited a negative effect of managerial ownership on tax avoidance. The results indicated a regression coefficient of 0,277, a t-value of 2,029 (greater than the critical value of 1,99346), and a significance level of 0,046, leading to the rejection of H2.

The third hypothesis suggested a negative impact of Corporate Social Responsibility (CSR) on tax avoidance. The test returned a regression coefficient of 0,458, a t-value of 5,563 (above the critical t-value of 1,99346), and a significance level of 0,000, resulting in the rejection of H3.

The fourth hypothesis, which assumed a positive relationship between institutional ownership and CSR, the regression coefficient was 0,120 with a t-value of 0,854, which is below the critical t-value of 1,99085, and a significance of 0,396, exceeding 0,05; thus, H4 is not supported.

The fifth hypothesis anticipated a positive influence of managerial ownership on CSR. The findings showed a regression coefficient of 0,033, a t-value of 0,163 (less than 1,99085), and a significance value of 0,871, indicating that H5 is also rejected.

Table 2. Sobel Test

Hypothesis	Statistics Sobel	Std. Error	P-value
H6	0,8413527	0,06532338	0,40015038
H7	0,1616969	0,09347118	0,87154455

Source: Data Processed Using <https://quantpsy.org/sobel/>, 2025

Table 3 presents the findings of the mediation hypothesis tests conducted using the Sobel test. The sixth hypothesis proposed that Corporate Social Responsibility (CSR) serves as a mediator in the relationship between institutional ownership and tax avoidance. The Sobel test yielded a test statistic of 0,8413527, which is less than the critical value of 1,96, and a p-value of 0,40015038, exceeding the 0,05 significance level, leading to the rejection of H6.

Similarly, the seventh hypothesis suggested that CSR mediates the effect of managerial ownership on tax avoidance. The Sobel test results indicated a test statistic of 0,1616969, below the threshold of 1,96, and a p-value of 0,87154455, which is greater than 0,05, resulting in the rejection of H7.

DISCUSSION

The Effect of Institutional Ownership on Tax Avoidance

The t-test results indicate that institutional ownership exerts a statistically significant negative influence on tax avoidance. These findings align with the principles of agency theory, which suggest that conflicting interests between managers and shareholders may prompt opportunistic behaviors such as tax avoidance. Nonetheless, a substantial level of institutional ownership can mitigate these actions, as institutional investors possess both the resources and motivation to implement more rigorous supervision of managerial conduct (Dewi, 2019). The high average institutional ownership in the sample, at 84%, indicates the dominance of institutional investors in energy sector companies, which strengthens the external oversight function over tax avoidance practices. As enduring shareholders dedicated to Good Corporate Governance (GCG), institutional owners play a crucial role in overseeing company management to align with shareholder interests and to encourage adherence to tax regulations (Fiolina & Yuyetta, 2024; Nurmawan & Nuritomo, 2022; Afrika, 2021).

The Effect of Managerial Ownership on Tax Avoidance

The t-test outcomes reveal that managerial ownership exerts a statistically significant positive influence on tax avoidance. This result contradicts the agency theory perspective, which posits that managerial ownership should align the interests of managers and shareholders, thereby diminishing opportunistic behaviors like tax avoidance (Niandari & Yustrianthe, 2020). Empirical findings show that managers who own shares tend to increase tax avoidance practices to maximize long-term personal gains. This discrepancy can be explained by the

low average managerial ownership in the research sample, which was only around 0,031783 (or around 3,17%), indicating that this ownership share was not strong enough to create the alignment effect as assumed in agency theory. This condition may even increase the potential for opportunistic behavior because the economic incentives from share ownership are too small to influence manager behavior (Apriliani & Wulandari, 2023).

The Effect of Corporate Social Responsibility (CSR) on Tax Avoidance

The t-test results indicate that Corporate Social Responsibility (CSR) has a statistically significant positive impact on tax avoidance. This finding contradicts stakeholder theory, which asserts that CSR implementation should embody a company's ethical obligations to all stakeholders, including the government as the tax authority (Ningrum et al., 2018). Theoretically, companies with a high commitment to CSR are expected to be more compliant with tax regulations, thus showing a negative relationship with tax avoidance. However, empirical findings show that CSR can be used as a means of legitimization to build a positive image and cover up tax avoidance practices (Hidayat & Novita, 2023). The average CSR disclosure value of 0,528978 (or around 52%) indicates that some companies have disclosed their social responsibilities extensively, but still show a high tendency toward tax avoidance. This indicates that CSR practices in some companies are symbolic or merely to meet external pressure without being followed by a real commitment to fiscal compliance (Setyawan, 2021).

The Effect of Institutional Ownership on Corporate Social Responsibility (CSR)

The findings from the t-test reveal that institutional ownership has no statistically significant impact on Corporate Social Responsibility (CSR). The results of the study contradict the stakeholder theory assumption that views institutional investors as interested parties and are expected to encourage CSR disclosure (Yani & Suputra, 2020). Theoretically, institutional investors are considered capable of encouraging corporate social responsibility, but in practice, each institution has different priorities, with most focusing more on profitability and financial performance than on social and environmental issues (Rahmi et al., 2025). In addition, since CSR disclosure is now mandatory, the size of institutional ownership is no longer a major driving factor in its implementation (Shinta & Putra, 2025). Although the average institutional ownership in the research sample was quite high, at 0,842357 (or around 84%), the dominance of institutional investors did not automatically reflect uniformity of purpose and concern for social responsibility issues. Thus, high institutional ownership did not always imply increased CSR disclosure.

The Effect of Managerial Ownership on Corporate Social Responsibility (CSR)

The t-test results demonstrate that managerial ownership does not have a statistically significant effect on Corporate Social Responsibility (CSR). These findings are not in line with stakeholder theory, which emphasizes the importance of companies paying attention to all stakeholders, including the community and customers. Theoretically, share ownership by managers is expected to increase commitment to corporate social responsibility because they have a direct interest in the company's sustainability (Sari & Handini, 2021). However, descriptive analysis shows that the average managerial ownership is

only 0,0318 (or about 3,18%), reflecting the low proportion of shares owned by managers in the research sample. This condition indicates that most managers do not have sufficient influence to determine the company's strategic policies, including the disclosure of Corporate Social Responsibility (CSR). As a result, managers tend to be more oriented towards short-term goals that focus on performance and financial profits, while social and environmental aspects are not yet a top priority (Bakti et al., 2025).

The Role of CSR in Mediating the Effect of Institutional Ownership on Tax Avoidance

Based on the results of mediation testing using the Sobel test, it was found that CSR does not significantly mediate the effect of institutional ownership on tax avoidance. This research finding contradicts stakeholder theory, which emphasizes that institutional investors should encourage increased CSR disclosure as a form of ethical responsibility to maintain reputation and reduce the risk of harmful practices such as tax avoidance (Latifah & Widiatmoko, 2022; Ningrum et al., 2018). This contradiction occurs because most institutions tend to prioritize financial performance over social and environmental sustainability efforts (Rahmi et al., 2025). Empirically, institutional ownership was proven to have no significant effect on CSR in the direct test, meaning its existence does not automatically enhance CSR reporting. Furthermore, CSR actually had a positive effect on tax avoidance, indicating that an increase in CSR disclosure coincides with a higher tendency for tax avoidance. Consequently, Corporate Social Responsibility (CSR) was unable to function as a mediating variable in the relationship between institutional ownership and tax avoidance, owing to the absence of a significant relationship between the independent variable and the mediator.

The Role of CSR in Mediating the Effect of Managerial Ownership on Tax Avoidance

Based on the results of mediation tests using the Sobel test, it was found that CSR did not significantly mediate the effect of managerial ownership on tax avoidance. This finding is reinforced by the results of a direct test indicating that managerial ownership does not significantly affect CSR, in line with the low average share of managerial ownership in the sample, namely 0,031783, which indicates that management does not have adequate control or incentives to encourage social responsibility policies (Sari & Handini, 2021). However, the analysis results show a paradoxical relationship in which increased CSR disclosure is accompanied by an increased tendency for companies to engage in tax avoidance. This situation indicates that Corporate Social Responsibility (CSR) may be employed as a legitimacy strategy to conceal aggressive tax avoidance behaviors, which contradicts stakeholder theory's emphasis on balancing the interests of all stakeholders (Hidayat & Novita, 2023; Hasmi, 2017). Therefore, in a weak or dispersed managerial ownership structure, CSR does not function as an effective mediating variable in linking managerial ownership with tax avoidance.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The main results of this research reveal an inverse and significant relationship between institutional ownership and tax avoidance, implying that an increase in institutional ownership serves to reduce tax avoidance practices. Conversely, managerial ownership and Corporate Social Responsibility (CSR) both positively and significantly affect tax avoidance, implying that increases in these variables are associated with a higher likelihood of tax avoidance. Additionally, neither institutional nor managerial ownership significantly impacts CSR, indicating that these ownership structures do not substantially influence CSR implementation or disclosure. Consequently, CSR does not serve as a mediating variable between institutional and managerial ownership and tax avoidance.

Theoretically, the findings of this research lend greater empirical support to agency theory in explaining tax avoidance behavior in relation to institutional ownership. Conversely, the application of stakeholder theory particularly concerning the effects of institutional and managerial ownership on Corporate Social Responsibility (CSR) and the mediating function of CSR lacks consistent empirical validation. Academically, this research enriches empirical studies in the field of tax accounting and corporate governance, particularly by adding CSR as a mediating variable, which is still rarely studied comprehensively in relation to tax avoidance practices in Indonesia. This study also serves as a reference for future researchers who wish to explore other variables that potentially influence tax avoidance practices, as well as deepen the understanding of the interaction mechanism between Good Corporate Governance (GCG), tax avoidance, and Corporate Social Responsibility (CSR).

Recommendation

This study faced two main limitations: first, the potential for subjectivity in CSR measurement due to the researchers having to adjust various sustainability reporting standards (such as GRI 2016 and OJK standards) to conform to the newly effective GRI 2021 standard, which was adopted as the measurement tool. Second, the study experienced a significant reduction in sample size after 40 outlier data points were eliminated to meet classical assumption testing requirements. Based on these limitations and the finding that CSR failed to mediate the relationship between ownership and tax avoidance (with an Adjusted R² of -1.6%), it is suggested that future research should extend the research period and sector, use a sample of companies with uniform CSR reporting standards or restrict the period to after GRI 2021 became effective, and consider other mediating variables that are more relevant for explaining the influence of ownership on tax avoidance.

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