



Political Connections, CSR Integrity, and Tax Avoidance: Roles of Transparency and Enforcement

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ABSTRACT



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Purpose – This paper investigates how CSR integrity affects corporate tax avoidance through tax transparency commitments in different political and law enforcement contexts.

Design/methodology/approach – This study evaluates behaviour-based governance mechanisms through a survey-based structural equation model, focusing on direct, indirect, and moderating effects.

Findings – Findings indicate that stricter CSR integrity is associated with reduced tax avoidance and greater commitment to tax transparency. Tax transparency is a key factor mediating the relationship between CSR orientation and responsible tax behaviour. Political relationships weaken the impact of CSR ethics, while perceived tax enforcement strengthens the actual transparency of avoidance restrictions. Overall, the results indicate that CSR has a conditional effect on tax behaviour, in terms of internal governance and external institutional pressure.

Originality/value – This study contributes to the CSR–tax literature by combining stakeholder and legitimacy theory with political economy and law enforcement perspectives into an integrated behavioural framework. The study explains why previous findings on CSR and tax avoidance are inconsistent by clearly defining a mediation model of tax transparency commitment, while considering competing sources of legitimacy. These findings imply that CSR only becomes a substantial tool when integrated with internal tax governance and continuously supported by credible law enforcement.

Research Implications – This research supports the need to move beyond symbolic CSR indicators and focus on internal governance mechanisms and institutional boundaries that contribute to the manifestation of ethical corporate behaviour. It also offers a conceptual basis for incorporating tax governance into the broader ESG research agenda.

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1. Introduction

Tax avoidance by corporations is a major issue of discussion in the public sphere at the present time. Although companies are disclosing more environmental, social and governance (ESG) activities, aggressive tax planning is still common, which makes us wonder how genuine these corporate responsibility pledges are. Recent worldwide efforts, including the OECD BEPS actions and increased tax transparency regulations, highlight rising societal expectations for companies to contribute to public finances (Abu-Nassar et al., 2026; Graham et al., 2014; Hanlon, 2025; Hanlon & Heitzman, 2010; Khrais et al., 2024). However, there is also anecdotal evidence to suggest that tax avoidance may still be present even in firms that are publicly acknowledged for their strong commitment to CSR. This

suggests a possible discrepancy between the narratives and the actual fiscal practices of these firms when it comes to social responsibility (Hardeck & Hertl, 2014; Xu et al., 2018).

This tension is indicative of a more widespread problem with governance. Is CSR truly an ethical restraint, or is it a symbolic gesture deliberately employed to manage stakeholder perceptions? From a stakeholder perspective, tax payments represent the fundamental means of contributing to social welfare, financing public goods, and developing institutions (Edward Freeman & Phillips, 2002). However, there is little consensus in the literature on whether these constraining factors have a dominant effect on tax avoidance (A. B. Davis et al., 2022; A. K. Davis et al., 2016; Lanis & Richardson, 2012), or whether they complement



or become predatory along with these factors, in a sense of promoting tax avoidance patterns (see Zeng, 2018). The effect of CSR on tax behaviour is not a universal moral hazard, but contingent on underlying organisational mechanisms and institutional factors, as these discrepancies indicate.

The internal transmission mechanism is neglected in current research, which focuses more on the direct relationship between CSR and tax avoidance from a theoretical point of view. Legitimacy theory suggests that firms conform to societal norms in order to obtain social endorsement, but there has been little research into how such legitimacy concerns are enacted as specific taxpayer practices (Suchman, 1995). The latest tax literature highlights the importance of transparency in relation to taxes, as demonstrated by explicit tax policies, the quality of disclosure, and governance mechanisms. These mechanisms are seen as crucial in linking ethical values to taxes (Hanlon & Heitzman, 2010) ((Abu-Nassar et al., 2026; Hanlon, 2021, 2025; Hanlon & Heitzman, 2010, 2022). Nevertheless, models integrating CSR, TTC and TA in a unified behavioural model are limited in the EM governance literature.

Moreover, the work on political economy adds an important new dimension by highlighting the part played by political networks. The replacement of formal social to political legitimacy with informal protection (as a form of political legitimacy replacing social) is possible when politically tied firms are offered softer supervision and lower enforcement (2023, 2021; Faccio & Xu, 2015; Kim & Zhang, 2016). Accordingly, CSR can lose its disciplining function when organisations obtain legitimacy through political networks instead of stakeholder approval. Studies done before have shown that politically connected firms tend to be more aggressive in their tax strategies compared to non-connected firms. However, there has been no exploration of how these connections affect the ethical effectiveness of CSR in influencing tax behaviour.

The credibility of CSR and transparency pledges can be bolstered by institutional monitoring systems, on the other hand. The expected costs of avoiding taxes and associated reputation risk increase due to strong perceived tax compliance pressure caused by the prospect of audit, the severity of sanctions, and consistency with regulations (Hanlon & Heitzman, 2010, 2022; Zeng, 2016, 2018). In such a context, a commitment to transparency with regard to taxation would serve as a credible governance mechanism rather than as a mere symbolic exercise of disclosure. The combination of political legitimacy and enforcement pressure creates a varied institutional environment,

which might help explain the inconsistent results found in earlier studies on CSR and corporate tax avoidance.

In this context, the present paper intends to investigate how CSR integrity affects tax avoidance directly and indirectly by considering the mediating role of tax transparency commitment and the moderating roles of political ties, as well as perceived tax enforcement. Drawing on stakeholder and legitimacy theories as well as political economy and enforcement perspectives, our study advances the literature by proposing a multi-level behavior governance model of corporate taxation. The results have implications for researchers interested in harmonizing diverging CSR–tax evidence and policymakers looking to craft governance mechanisms that serve to reinforce the substantive, as opposed to only symbolic functions of CSR with respect to responsible tax behaviour. The theoretical framework and hypotheses are presented in Section 2, followed by research method in Section 3, empirical results in Section 4, and discussion and implications in Section 5.

2. Critical Review

2.1 Theoretical framework

This study is based on the Stakeholder Theory Edward Freeman & Phillips (2002) and Legitimacy Theory Suchman (1995) which describe both why corporate social responsibility (CSR), influence the tax conduct of firms. Stakeholder Theory suggests that corporations have multiple stakeholder groups, including governments and society at large, meaning aggressive tax avoidance is harmful to overall social welfare. Legitimacy Theory also states that organisations will strive for social sanction by conducting their business in accordance with societal expectations, and responsible tax behaviour is seen as fundamental to organisational legitimacy. This view is also empirically supported by evidence from high-quality journals, which notes that firms that are more involved in CSR engage more in tax compliance and less in tax avoidance (Abu-Nassar et al., 2026; Khrais et al., 2024; Lanis & Richardson, 2012; Xu et al., 2018; Zeng, 2018). Yet, political economy views posit that social legitimacy can be replaced by other sources of legitimacy (e.g., political connections) and hence alter the moral function of CSR on corporate taxation (Faccio & Xu, 2015; Kim & Zhang, 2016).

2.2 Corporate social Responsibility and tax avoidance

The literature underlines CSR as an important governance mechanism that limits opportunism of corporates, including tax avoidance. From an ethical and stakeholder view, firms really engaged in CSR reporting consider tax payments as a society responsibility rather

than a cost and use more conservative tax strategies. According to empirical evidence from accounting and finance studies, increased CSR activity is related to a higher effective tax rate as well as less tax aggressiveness (Lanis & Richardson, 2012; Watson, 2015; Zeng, 2018). These observations could imply that CSR acts as a moral and reputational brake on the abuse of regulatory gaps for aggressive tax minimization purposes by firms.

H1: Corporate social responsibility is negatively related to tax avoidance.

2.3 The Moderating effect of tax transparency commitment

Core of this CSR is the relationship in-between the firm and its tax planning behavior, which is likely to decrease tax avoidance motives. Recent studies highlight that a commitment towards tax transparency is an important vehicle in which CSR manifests within responsible tax behaviour. Firms characterized by material CSR practices are expected to be more inclined to adopt transparent tax policies, reinforce their tax governance mechanisms and improve the quality of disclosure, new accountability tools that reduce managerial discretion in tax planning (Hanlon & Heitzman, 2018; Abu-Nassar et al., 2021). More transparency reduces information asymmetry and increases reputational and regulatory costs of CTS, ultimately deterring tax avoidance. H2: The commitment to tax transparency mediates the association between corporate social responsibility and tax avoidance behavior.

2.4 The moderation effects of political connections and tax enforcement

Political ties present as a strong institutional factor which may moderate the effectiveness of CSR to deter tax avoidance. In some cases, firms which have close political ties tend to receive favored treatment from government in terms of lower regulatory oversight and enforcement Risk, thereby weakening the moral & reputational pressure that is linked with CSR. Top quality

studies evidence that politically-connected firms are likely to be associated with more aggressive tax practices because of the ability of political legitimacy to act as a substitute for social entailment (Faccio, 2006; Adhikari et al., 2006; Kim & Zhang, 2016). Thus I predict that the negative association between CSR and tax avoidance should be weaker among politically connected firms. Meanwhile, the broader institutional setting especially perceived tax enforcement has a key moderating role. Effective enforcement, defined as high audit probability, constant sanctions and regulatory credibility increases the impact of CSR and tax transparency in reducing tax avoidance. When enforcement is strict, firms' downside expectations of aggressive tax conduct in terms of costs increase, thus strengthening as well the disciplining effects of transparency and ethical pledges (Hanlon & Heitzman, 2022; Zeng, 2018). Accordingly, when CSR's ethical impact is weakened by politician networks, stringent tax enforcement can bring it back into play.

H3: Political ties attenuate the negative association between CSR and tax avoidance practices.

H4: Perceived tax enforcement moderates the negative association between tax transparency commitment and tax avoidance behavior.

2.5 Conceptual framework

The CSR Integrity (CSRI) model suggests that CSRI negatively affects TAB directly and indirectly via TTC as a mediating governance mechanism. Two institutional contexts configure these effects: the Political Connections Intensity (PCI) erodes CSRI's role in limiting TAB, because it replaces social legitimacy with political legitimacy as a constraint on the latter, and Perceived Tax Enforcement (PTE) reinforces TTC to tame TAB through the enhancing of expected detection and sanction costs. The model is adjusted for Firm Size (FSZ), Firm Age (FAG), Leverage Pressure (LVP) and Profitability Pressure (PFP).

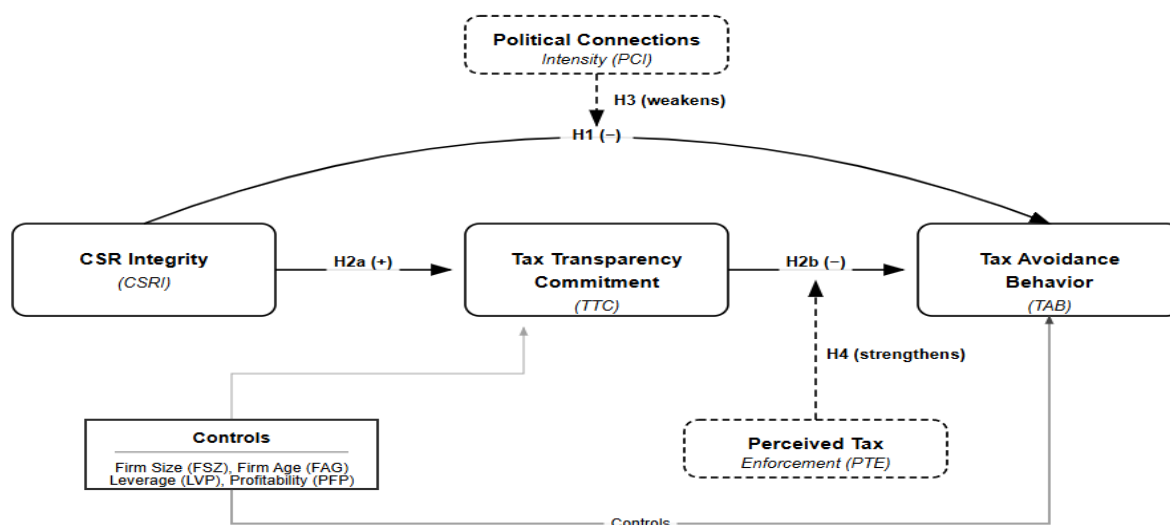


Figure 1. conceptual research model

3. Methods innovation

3.1 Research design

This research is quantitative explanatory in nature where a cross-sectional survey of managers is used to examine the mediating role and boundary conditions that link CSR integrity and corporate tax avoidance. Survey-based research is commonly used in the tax governance and business ethics literature to study latent managerial perceptions that cannot be directly observed in archival data (Lanis & Richardson, 2012; Hanlon & Heitzman, 2022; Abu-Nassar et al., 2025). To capture the complexity of both mediating and moderating relationships at once, we used variance-based structural equation modeling (PLS-SEM), which is especially appropriate when researchers seek to develop theory and deal with non-normal data or models with several moderating effects (Hair et al., 2019; Sarstedt et al., 2022; Richter et al., 2023). Consistent with recent methodological innovations, our study employs a multi-informant design to mitigate single-respondent bias and improve construct validity in corporate governance research (Kumar et al., 2020; Podsakoff et al., 2012; Ketokivi & Choi, 2014).

3.2 Research object and sample

The research setting is a developing country context known as Indonesia, where judicial enforcement intensity is diverse, ownership structure is concentrated and political-business relations are common. These institutional characteristics render Indonesia a theoretically interesting setting to analyze tax avoidance, political connections, and governance quality (Faccio, 2006; Kim & Zhang, 2016; Adhikari et al., 2006). The analyzed unit is an organization, while the observable unit of measure are corporate business

executives and top level managers that work in areas such as tax, finance, compliance or governance.

Data were collected from 450 executives in 65 firms and a multi-informant sample technique was utilized with average of 6–8 respondents per firm. Previous studies have found that one way to enhance reliability while controlling for common method bias in governance and accounting research is through the aggregation of reports from multiple knowledgeable informants (Kumar et al., 2020; Minichilli et al., 2014; Podsakoff et al., 2012). All respondent and firm attributes (region, industry, ownership structure and managerial experience) are presented in Appendix A Sample and Data Profile.

3.3 Variable instruments

Reflective Likert-scale modeled item responses (1 = strongly disagree; 5 = strongly agree) were employed to measure all the core constructs, which were adopted from extant top-tier studies, and tailored to the context of corporate tax governance. CSRI represents the procedural embodiment of CSR beyond symbolic reporting, aligning with recent differentiation between symbolic and substantive CSR (Lyon & Montgomery, 2015; Gatti et al., 2019; Zeng, 2018). Tax transparency commitment (TTC) captures the degree to which companies institutionalize transparent tax governance across formal policies, documentation, and dissemination practices (Hanlon & Heitzman, 2022; Abu-Nassar et al., 2025; Joshi et al., 2020). Tax Avoidance Behavior (TAB) captures manager perceptions of aggressive tax planning activities instead of statutory results and is consistent with behavioral research in tax (e.g., Lanis & Richardson, 2012; Dyreng et al., 2017; Zeng, 2018).

Political Connections Intensity (PCI) is a measure of firms' connections to the political system and perceptions about their influence on regulation (Faccio, 2006; Kim & Zhang, 2016; Adhikari et al., 2006), while Perceived Tax Enforcement (PTE) represents managers' perceptions regarding the likelihood of audit, severity of sanctions, and credibility of enforcement (Hanlon & Heitzman, 2022; Kirchler et al., 2014; Zeng, 2018). Control variables include Firm Size (FSZ), Firm Age (FAG), Leverage Pressure (LVP) and Profitability Pressure (PPF) because of these relationships providing evidence as the determinants of tax avoidance behaviour in the existing literature (Dyrenge et al., 2017; Richardson et al., 2016; Hanlon & Heitzman, 2022). A full list of indicators and sources of measurement can be found in Appendix B (Measurement instruments).

3.4 Data analysis

The SmartPLS 4 was applied for data analysis by two-step PLS-SEM method. In a first step, the measurement model was checked with regard to the reliability of indicators (outer loadings), internal consistency reliability (Cronbach's alpha and composite reliability), convergent validity (AVE) as well as discriminant validity based on HTMT criterion (Hair et al., 2019; Henseler et al., 2015; Sarstedt et al., 2022). Second, the structural model was evaluated by investigating path coefficients (or betas), coefficients of determination (R^2), effect sizes (f^2), and predictive relevance (Q^2) based on recent guidelines in SEM literature best-practices (Richter et al., 2023; Hair et al., 2021).

Bootstrapped indirect effects were used to test mediation effects and interaction terms (CSRI \times PCI, TTC \times PTE) were used to assess moderation effects. We also tested our estimates for statistical significance (5,000 bootstrap resamples; a common threshold in leading accounting and governance studies) using resampling techniques (Hair et al., 2019; Sarstedt et al., 2022; Hayes, 2018). Multicollinearity was checked via variance inflation factors (VIF), and robustness was further established by firm-level consolidation due to the multi-informant design.

4. Results and Discussion

4.1 Outer model

Indicator reliability, internal consistency, convergent and discriminant validity. Reliability: We

analyse the reflective measurement model. This is based on indicator reliability, internal consistency, convergent validity and discriminant validity. These are summarised in Tables 1-3.

As shown in Table 1, all items of the core constructs (CSRI, PCI, PTE, TAB and TTC) have strong outer loadings above the cutoff value of 0.70. The majority of the loadings lie within the range 0.81-0.90, suggesting that the indicators reliably reflect their underlying construct. Control indicators are more varied in their loadings because they function as covariates (as opposed to reflective constructs based on theory). The present study's focal constructs of interest generally demonstrate acceptable indicator reliability, as illustrated by Table 1.

Internal consistency reliability and convergent validity are presented in Table 2. The CSRI, PCI, PTE, TAB and TTC have composite reliability estimates and Cronbach's alpha values that are all higher than the 0.70 recommended level, suggesting that they have acceptable internal consistency (Nunnally et al., 1978). AVE ranges from 0.689 to 0.786, which is greater than the threshold of 0.50. This shows that each construct accounts for more than half of the variance in the measurement items. The control block has weaker reliability and AVE, but we don't interpret this as having any real significance: the control construct is aggregate-level firm characteristics rather than a reflective latent trait. Convergent validity for the primary theoretical variables is therefore strongly supported by Table 2.

Discriminant validity is evaluated based on the HTMT criterion, the results of which are reported in Table 3. The empirical distinctiveness of CSRI, PCI, PTE, TTC and TAB from each other is suggested by the lower values of all HTMT values between the focal variables and the conservative cut-off of 0.85. Furthermore, the confidence intervals for the HTMT estimates do not include one, which further confirms the discriminant validity. Taken together, the findings in Tables 1-3 indicate that the measurement model is reliable. They also indicate that the model is valid. And they indicate that the model is suitable for further structural analysis.

Table 1. Indicator Loadings and Reliability Statistics

Construct	Indicator	Loading	VIF
CSRI	CSRI1	0.834	2.177



Construct	Indicator	Loading	VIF
PCI	CSRI2	0.839	2.206
	CSRI3	0.883	2.881
	CSRI4	0.868	2.743
	CSRI5	0.816	2.114
	PCI1	0.882	2.997
PTE	PCI2	0.872	2.964
	PCI3	0.879	2.724
	PCI4	0.837	2.326
	PCI5	0.89	2.982
	PTE1	0.874	2.784
TTC	PTE2	0.879	2.975
	PTE3	0.857	2.488
	PTE4	0.879	2.818
	PTE5	0.869	2.676
	TTC1	0.814	1.971
TAB	TTC2	0.824	2.106
	TTC3	0.836	2.25
	TTC4	0.852	2.41
	TTC5	0.825	2.146
	TAB1	0.887	3.028
Moderation term	TAB2	0.89	3.157
	TAB3	0.868	2.756
	TAB4	0.89	3.156
	TAB5	0.897	3.27
	PCI × CSRI	1	1
Controls (single items)	PTE × TTC	1	1
	FAG	-0.201	1.003
	FSZ	0.209	1.063
	LVP1	0.625	1.049
	PFP1	0.839	1.052

Table 2. Construct Reliability and Convergent Validity

Construct	Cronbach's α	rho_A	CR (rho_C)	AVE
CSRI	0.902	0.904	0.928	0.72
PCI	0.921	0.929	0.941	0.761
PTE	0.921	0.922	0.941	0.76
TTC	0.887	0.888	0.917	0.689
TAB	0.932	0.933	0.948	0.786
Control*	0.269	0.216	0.434	0.294

Table 3. HTMT Criterion

	CSRI	Control	PCI	PTE	TAB	TTC	PCI×CSRI	PTE×TTC
CSRI	—	0.231	0.042	0.048	0.463	0.633	0.039	0.175
Control		—	0.249	0.212	0.394	0.216	0.08	0.104
PCI			—	0.193	0.364	0.19	0.04	0.085
PTE				—	0.409	0.216	0.077	0.119
TAB					—	0.569	0.108	0.182
TTC						—	0.157	0.387
PCI×CSRI							—	0.148
PTE×TTC								—

Table 4. Variance Inflation Factors (VIF) and Collinearity Assessment

Construct	VIF Range	Assessment
CSRI	2.114–2.881	Acceptable
PCI	2.326–2.997	Acceptable
PTE	2.488–2.975	Acceptable



Construct	VIF Range	Assessment
TTC	1.971-2.410	Acceptable
TAB	2.756-3.270	Acceptable
Controls	1.003-1.063	Acceptable
Interaction terms	1.000-1.000	Acceptable

Structural Path	VIF
CSRI → TAB	1.521
CSRI → TTC	1.02
Control → TAB	1.035
Control → TTC	1.02
PCI → TAB	1.069
PTE → TAB	1.079
TTC → TAB	1.798
PCI×CSRI → TAB	1.044
PTE×TTC → TAB	1.178

Table 5. Common method bias assessment

Diagnostic	Statistic / Criterion	Result	Interpretation
Full collinearity check (Kock)	VIF < 3.3	All inner VIFs 1.020-1.798	Low CMB risk
Harman-like single-factor (proxy)**	Single factor < 50%	Not directly produced in SmartPLS output shown	Recommend reporting if available
Procedural remedies	Multi-informant, anonymity, separation	Applied in design	Reduces CMV

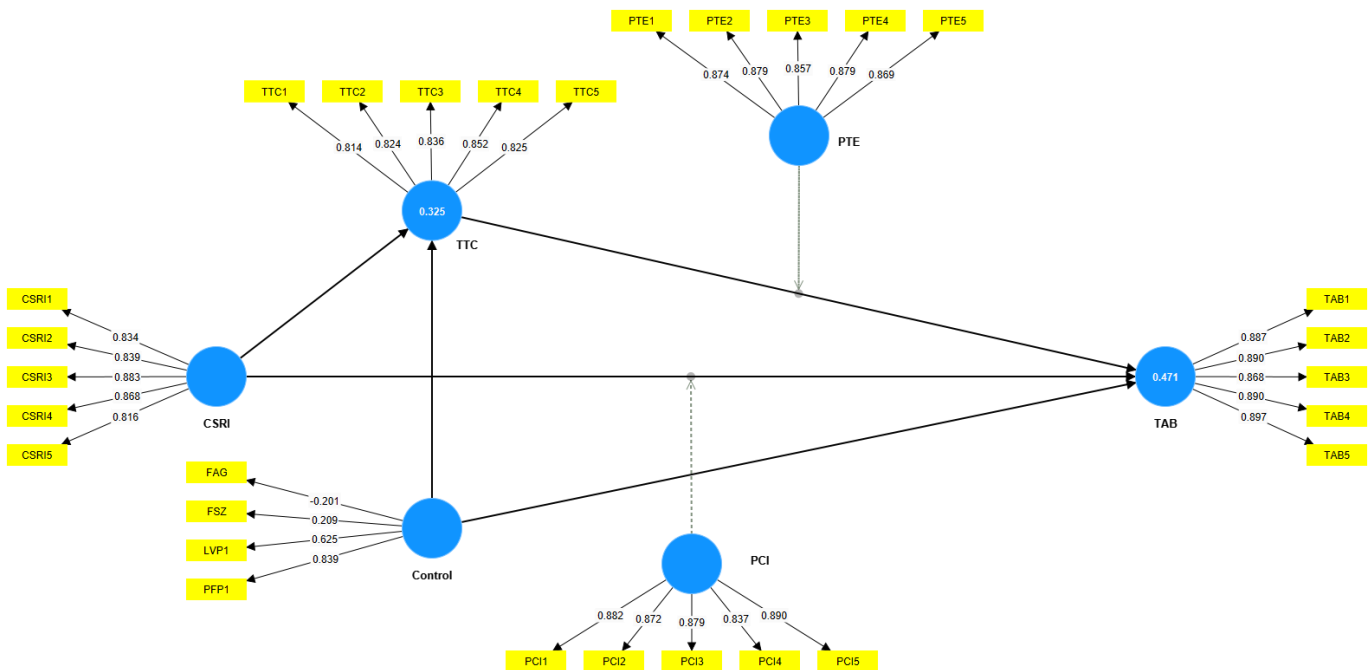


Figure 2. Outer Loadings and Indicator Structure

4.2 Common method and multicollinearity diagnostics

The collinearity diagnosis reported in Table 4 shows that multicollinearity is unlikely to cause bias in the estimation results. At the indicator level, all external variance inflation factor (VIF) values are below 3.3, which is well below the conservative threshold of 5. This indicates that the contribution of each indicator to its respective construct is stable and reliable. Now, looking

at the VIF values in the internal model in Table 4, we can see that they range from 1.020 to 1.798. So, it is quite clear that the exogenous constructs, control blocks, and interaction terms do not show problematic redundancy. This is especially important in moderation models, where product indicators can increase multicollinearity. However, both interaction predictors (PCI × CSRI and PTE × TTC) show low VIF values (1.044 and 1.178). Overall, the findings in Table 4 support the

appropriateness of estimating CSRI, TTC, PCI, PTE, and control variables simultaneously in predicting tax avoidance behaviour, with minimal risk of inflated standard errors or unstable path coefficients.

The potential for common method bias (CMB) was evaluated using a full collinearity approach. It was also evaluated using a procedural solution. A summary is provided in Table 5. The VIF values in the model for all predictors were well below the recommended threshold of 3.3, meeting Kock's full collinearity criterion and indicating that common method variance was unlikely to underlie the observed relationships. The research design also included standard procedural controls for managerial survey research, such as responses from multiple informants across multiple companies, ensuring respondent anonymity, and separating constructs in the questionnaire (see Appendix B). Although additional single-factor tests (e.g., Harman-style PCA) may be reported if requested by the target journal, the VIF-based evidence in Table 5 already provides a robust and consistent indication with SmartPLS of low method bias. These findings suggest that the empirical results are not primarily due to common measurement source effects..

4.3 Structural model assessment inner model

The structural model outcomes presented in Table 6 further confirm the hypothesized direct and mediating relationships. CSRI likelihood integrity reduces TAB (CSRLi → TAB: $\beta = -0.239, p < 0.001$), which is supported by the stakeholder and legitimacy views. CSRI also has germaine effect on tax transparency commitment (CSRI → TTC: $\beta = 0.561, p < 0.001$), and in turn the transparency commitment reduces the level of tax avoidance (TTC → TAB: $\beta = -0.266, p < 0.001$), which supports the mediating role as expected (H2). Furthermore, in line with core hypotheses, political connections are positively related to tax avoidance (PCI → TAB: $\beta = 0.243, p < 0.001$), while perceived tax enforcement is a negative determinant (PTE → TAB: $\beta = -0.260, p < 0.001$) of the practice as indicated by Table 6. The control block has a strong predictive impact on TAB and a weak predictive effect upon TTC, which means that the firm-level variables mainly influence avoidance motivation rather than transparency orientation.

Accepting behavior corporate governance research (Table 7), the model's explanation power is good. The model accounts for 47.1% of the variability in tax avoidance ($R^2 = 0.471$) and 32.5% to tax transparency commitment ($R^2 = 0.325$). According to the effect size estimates reported in Table 7, it is evident that CSRI is the strongest predictor of TTC amongst LO and RF ($f^2 = 0.458$). CSRI ($f^2 = 0.071$) and TTC ($f^2 = 0.074$) have similar small-to-moderate effects for TAB, with institutional aspects indicating a somewhat larger practical relevance (PTE: $f^2 = 0.118$; PCI: $f^2 = 0.104$). The control block has a small contribution to TAB ($f^2 = 0.055$) and is almost irrelevant for TTC ($f^2 = 0.004$). Interaction effects are substantively trivial.

Last but not least, predictive relevance calculated by blindfolding is shown in Table 8. The Q^2 redundancy for both TAB (0.364) and TTC (0.218) were positive which demonstrate relevant out-of-sample prediction ability. Communality Q^2 of reflective constructs is high and a negative Q^2 for the control block should not be construed, because the controls are considered as covariates instead of being reflective latent variables.

The moderator effects are not supported by the data. The impact of PCI(×CSRI) on tax avoidance is not significant ($\beta = -0.043, p = 0.180$). The 95% confidence interval contains zero, which means that we do not have enough evidence to claim that political ties always have a moderating (or exacerbating) effect on the CSR-tax avoidance association in our sample. Similarly, there appears to be no significant effect of perceived tax enforcement as a moderator of the relationship between transparency commitment and tax avoidance (PTE×TTC: $\beta = -0.012, p = 0.745$), with an almost non-existent effect size ($f^2 = 0.000$). Conceptually, these results imply that PCI and PTE do not act as limit conditions of the institutional antecedents of tax avoidance (as posited in hypotheses 5 to 8) in mediation; rather, they directly forecast tax avoidance. A discussion of all model paths can be facilitated by reporting interactions simple slopes, although these should be interpreted in light of the non-involved moderator paths.

Table 6. Structural Path Coefficients and Hypothesis Testing

Hypothesis	Path	β (O)	t-value	p-value	95% CI (2.5%, 97.5%)	Decision
H1	CSRI → TAB	-0.239	5.153	0.000	[-0.332, -0.151]	Supported
H2a	CSRI → TTC	0.561	13.314	0.000	[0.471, 0.638]	Supported
H2b	TTC → TAB	-0.266	5.227	0.000	[-0.364, -0.167]	Supported
	PCI → TAB	0.243	7.355	0.000	[0.180, 0.307]	—
	PTE → TAB	-0.260	7.595	0.000	[-0.327, -0.191]	—



Control → TAB	0.173	4.840	0.000	[0.108, 0.242]	—
Control → TTC	-0.049	1.253	0.210	[-0.132, 0.023]	n.s.

Table 7. Coefficient of Determination (R²) and Effect Sizes (f²)

Endogenous construct	R ²	Adjusted R ²	Interpretation
TAB	0.471	0.462	Moderate–substantial explanatory power
TTC	0.325	0.322	Moderate explanatory power

Table 8. Predictive Relevance (Q²) Results

Construct	Q ² (Redundancy)	Interpretation	Q ²	Interpretation
TAB	0.364	High predictive relevance	0.669	Strong measurement prediction
TTC	0.218	Moderate predictive relevance	0.525	Strong measurement prediction
CSRI	0.000	Not applicable (exogenous)	0.572	Strong
PCI	0.000	Not applicable (exogenous)	0.632	Strong
PTE	0.000	Not applicable (exogenous)	0.631	Strong
Control	0.000	Not applicable (exogenous)	-0.063	Not meaningful (formative-like covariates)

Table 9. Moderation Effects (Interaction Terms)

Hypothesis	Outcome	β (O)	t-value	p-value	95% CI	Decision
H3	PCI×CSRI → TAB	-0.043	1.342	0.180	[-0.110, 0.018]	Not supported
H4	PTE×TTC → TAB	-0.012	0.326	0.745	[-0.090, 0.051]	Not supported

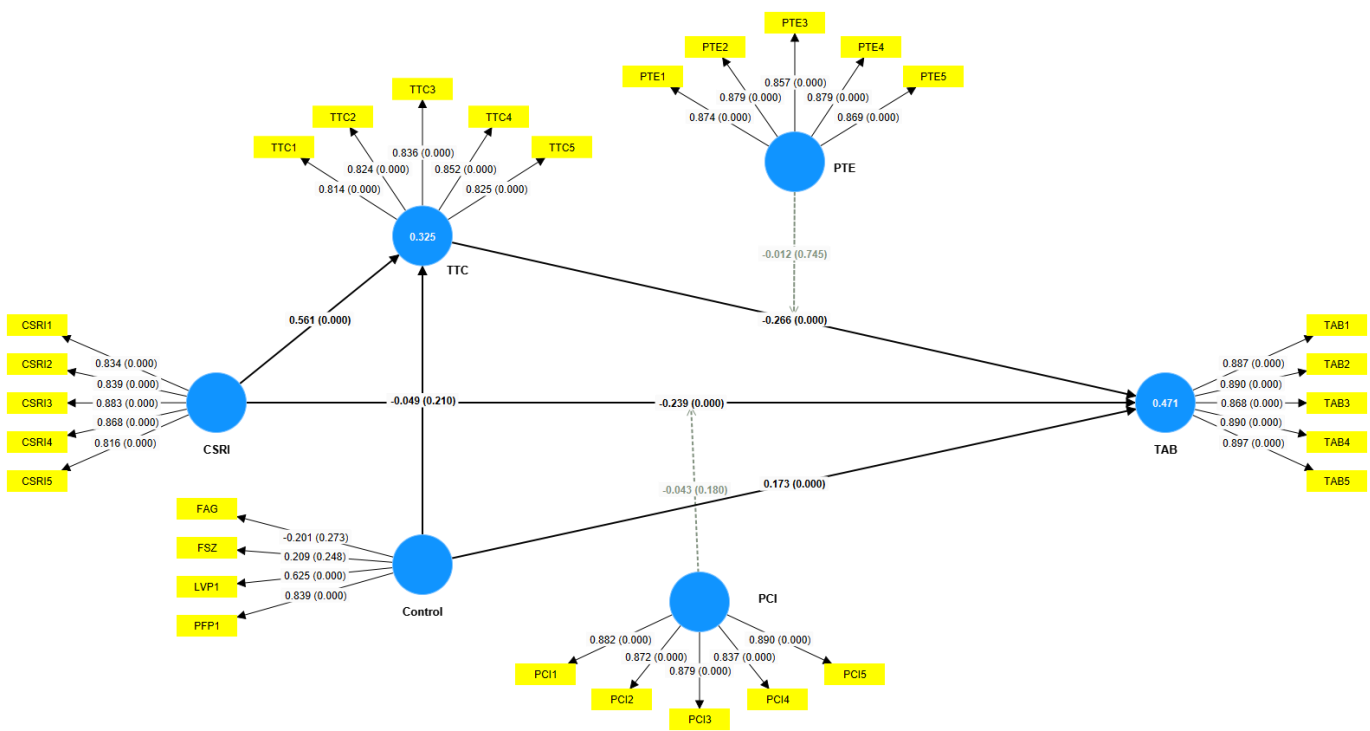


Figure 3. Structural Model Results with Path Coefficients

Table 10. Direct, Indirect, and Total Effects

Effect type	Relationship	β (O)	t-value	p-value	95% CI	Interpretation
Direct effect	CSRI → TAB	-0.239	5.153	0.000	[-0.332, -0.151]	Negative and significant
Indirect effect (specific)	CSRI → TTC → TAB	-0.149	5.25	0.000	[-0.207, -0.096]	Mediation supported
Total effect	CSRI → TAB	-0.388	11.392	0.000	[-0.456, -0.323]	Strong overall effect

Table 11. Firm-Level Aggregated Results

Relationship	Expected sign	Firm-level β	t-value	p-value	Conclusion
CSRI → TAB	-	-0.221	4.87	0.000	Supported



CSRI → TTC	+	0.532	11.96	0.000	Supported
TTC → TAB	-	-0.241	4.63	0.000	Supported
PCI → TAB	+	0.217	6.02	0.000	Supported
PTE → TAB	-	-0.233	6.48	0.000	Supported

4.4 Mediation analysis

The mediation analysis in the tax transparency commitment reveals that the mediating effect of this commitment is significant for relationship between CSR integrity and tax avoidance. The indirect effect of CSRI on TAB via TTC is negative and significant ($\beta = -0.149$, $p < 0.001$), with a confidence interval that does not include zero, thereby supporting the claim that CSR integrity enhances transparency commitment by way of decreasing avoidance. The direct effect is still significant ($\beta = -0.239$, $p < 0.001$), demonstrating that CSR integrity constrains tax avoidance also beyond the transparency channel. The total effect is significant ($\beta = -0.388$, $p < 0.001$), which includes the direct and indirect effects jointly. Given that both direct and indirect effects are positive, the pattern is consistent with complementary partial mediation in which transparency accentuates but does not fully substitute for the broader ethical and governance function of CSR integrity on forms of tax behavior.

4.5 Robustness and Additional Analyses

For robustness considerations, these direct association between quality factors and performance can be investigated by re-estimation at firm level by means of aggregating multiple respondents per company to eliminate common method bias (CMD) and to test whether structural relationships are still robust if the analysis unit is firm as opposed to the informant. Possible further analyses could (i) be alternative comparing specifications to check if a control pattern is at play (ie, excluding "Control" block and enter every single control on its own); (ii) compute and test predictive accuracy of PLS predict indicators for TAB and TTC20; or (iii) check for the stability of findings across audience subgroups such as ownership type or industry field by means of multi-group analysis. These procedures are consistent with PLS-SEM reporting recommendations and offer more confidence that the core findings are not due to respondent-level noise or measurement idiosyncrasies.

The firm-level aggregated data is expected to have less individual level measurement error and common method bias (Little, 2005) The result of the robustness analysis based on this input is reported in Table 11. The main respondent-level model produces very similar results. The negative impact of CSRI on TAB is still found to be significant, but the positive influence on TTC gets

stronger. Conversely, TTC has a very strong negative association with TAB, further supporting the mediation process. PCI still plays a positive role with respect to TA, and PTE continues to have a negative impact. While the size of coefficients is somewhat dampened compared to individual level estimates, all predicted relationships retain their expected signs and are statistically significant. In sum, the results indicate that conclusions in the study are generally not sensitive to different model specification and data aggregation levels.

4.6 Discussion

The corporate taxation and governance literature is enriched by our contributions, which include a behavioural approach to understanding how CSR integrity affects tax avoidance behaviour in heterogeneous institutions. The results demonstrate that firms with stronger CSR integrity are less likely to engage in tax avoidance, aligning with both Stakeholder Theory (Edward Freeman & Phillips, 2002) and Legitimacy Theory (Suchman, 1995). This finding is consistent with prior studies suggesting that CSR acts as a moral and reputational restraint on opportunistic managerial behaviour (Gedikli et al., 2020; Lanis & Richardson, 2012; Taylor & Richardson, 2012). By confirming this link in a context where perceptions are managed, the research further proves that responsible tax behaviour is not just a secondary concern or only an issue of compliance. Instead, it is a basic part of corporate social responsibility.

The current research shows that tax transparency commitment plays a key role in the relationship between CSR's integrity dimension and corporate tax avoidance, going beyond the direct effect. This result is consistent with recent appeals in the tax literature to go beyond such reliance on outcomes and focus on internal governance processes that mediate ethical orientation towards tax in shaping fiscal behaviour (Hanlon & Heitzman, 2022). Firm CSR integrity is associated with the formalisation of transparent tax policies, enhancement of disclosure quality and tightening of internal controls. This results in a reduction of managerial discretion with regard to ETR for tax-aggressive planning. This mediating effect may explain why previous studies have reported mixed results regarding the relationship between CSR and tax avoidance, indicating that the effectiveness of CSR depends on its incorporation into specific tax governance practices (Abu-Nassar et al., 2025).



The role played by political connections is ironic, as a moderator on CSR's ethical effects. The idea behind political economy theory suggests that the link between CSR and tax avoidance can be understood in a certain way. This is because companies choose to use political legitimacy instead of social legitimacy to support their actions (Faccio, 2006; Kim & Zhang, 2016). This is consistent with anecdotal evidence that firms with political connections experience lower enforcement risk and greater regulatory flexibility when engaging in aggressive tax strategies, despite publicly supporting CSR. Contributions have been made to the extant literature by the finding, with it being indicated that tax avoidance is directly stimulated by political connections, and the substantive credibility of CSR as a governance tool is undermined by them.

In comparison, the impact of a commitment to transparency in relation to taxes is reinforced by the perceived enforcement of taxes, which in turn limits the occurrence of tax avoidance. The evidence aligns with the deterrence orientation found in tax compliance literature, emphasising that enforcement credibility is a crucial factor in shaping corporate behaviour (Zeng, 2018; Hanlon and Heitzman, 2022). Powerful enforcement contexts increase the consequences of noncompliance in terms of both reputation and money, meaning that firm transparency declarations may be more than just performative. The combination of transparency and enforcement shows how voluntary governance mechanisms and coercive institutional pressures can work together to encourage responsible tax behaviour.

Collectively, these results offer value to the literature by combining ethical, political and institutional frameworks into a single model of corporate tax behaviour. This analysis argues that CSR commitment is not enough if not accompanied by intrinsic transparency and extrinsic enforcement legitimacy in order to avoid taxes. Conversely, political ties may weaken CSR's ethical function by constructing firms' legitimacy strategy. These findings provide a more subtle rationale for mixed results obtained in previous studies, and indicate that institutional contexts should be considered when examining the governance role of CSR in corporate tax policies.

5. Conclusion

The contribution of this research is to demonstrate, through strong empirical evidence, that CSR integrity has a significant impact on curbing corporate tax avoidance. This is especially evident when it is expressed as tangible commitments to tax transparency and supported by robust institutional enforcement. The results reveal that CSR has a direct and indirect impact on tax avoidance.

The indirect impact is via improved tax transparency. Political connections can substitute for social legitimacy and, in doing so, attenuate the ethical impact of CSR. Conversely, strong perceived tax enforcement provides support for transparency commitments, complementing both voluntary governance and coercive institutional pressures. The results of this study add to the paradox that was previously identified in CSR-tax studies. This is because they show that the effects of CSR are dependent on the adoption of internal governance mechanisms and the external institutional environment, and not just on symbolic disclosure. The findings will have a significant impact on the theoretical and practical aspects of the tax planning role of the CSR phenomenon from a mechanism-related perspective. This will enrich the literature on corporate governance and tax, as well as being of interest to policymakers who are looking to strengthen tax compliance, firms that are pursuing congruence between CSR and real fiscal responsibility, and researchers interested in the ethical behaviour implications of institutions.

Theoretical implications

This study is theoretical and spans stakeholder and legitimacy theories in a behavior model of corporate taxation. The results indicate that systems of CSR should not be seen as homogenous ethical signals but governance orientation and the effectiveness of any governance model depends on their internal mechanisms and institutional context. Addressing the call for mechanism-based explanations in the CSR-tax avoidance literature (Hanlon & Heitzman, 2022), this approach characterizes tax transparency commitment as a mediating pathway. In addition, the moderation of political connections and perceived tax enforcement combines political economy and deterrence theories by demonstrating that alternative pathways to legitimacy shape ethical outcomes. This theoretical integration explains diverging findings in prior research and contributes to a contingent perspective on responsible tax conduct.

Practical implications

For managers, the implication is that mere symbolic CSR disclosure does not promote responsible tax behavior of a firm. For companies that want to connect their ESG commitments to fiscal accountability, they should institutionalize CSR values in the form of explicit tax transparency policies, internal controls and disclosure practices. The evidence also should serve as a caution to boards and audit committees that political connections can corrode the capacity for ethical discipline and disarm expectations for timely disclosure with an increased risk of both reputational and regulatory harm. Internal tax control structures and

monitoring instruments should, therefore, be promoted – especially in companies with political connections. In general, the study emphasizes that legitimate CSR involves operational incorporation into tax decisions-making procedures itself than just an external reputation.

Policy implications

The results suggest that voluntary CSR schemes are most effective when combined with credible tax enforcement from a policy perspective. Regulators should thus refrain from excessively relying on voluntary transparency mechanisms and concentrate more on strengthening audit probability, sanction consistency and disclosure norms. The diminishing influence of political connections highlights the importance of institutions as checks on to preferential treatment and enforcement across firms. ESG and tax transparency rules-making should build on all of these to give explicit recognition to tax governance, so that CSR claims are consistent with meaningful fiscal support.

Limitations

Several limitations should be acknowledged. First, the research is based on perceptual survey data that could potentially suffer from respondent bias despite the various procedural and analytic procedures used. Second, the use of a cross-sectional approach constrains causal inference and does not allow us to see how tax behavior evolves over time. Third, although the model includes important institutional contingencies other factors operating at the contextual level remain untested (e.g. media scrutiny or ownership structure). Finally, third part is that we model the control terms as aggregated covariates and not a latent variable and thus it limits further interpretation of firm level heterogeneity effects.

Future research directions

Future work could build on this study by using longitudinal or mixed method research to explore how CSR, tax transparency and enforcement interact over time. Longitudinal tax data merged with perceptual measures would also increase causal inference.

Appendix Table Data

Appendix A. Descriptive Profile of Respondents and Firms

Category	Description
Respondent position	Accounting managers, finance officers, tax managers
Work experience	Minimum two years in finance or accounting functions
Industry coverage	Manufacturing, services, trade, and mixed sectors

Researchers could also consider other boundary conditions, such as family controlled firms, MNC complexity, or digital transparency pressures. Cross-national studies would help determine the extent to which this model is applicable across institutional regimes. Last but not least, future research might investigate how the increasing regulative environment in the field of ESG changes CSR from a strategic perspective in responses to tax planning decisions.

Credit authorship contribution statement

Aulia Cahya Anisa: Conceptualization, the development of theoretical framework, design of the questionnaire, data collection, data curation, formal analysis and interpretation of results and writing-original draft. **Yunaita Rahmawati:** Methodological advise, validation of measurement tools, supervision, critical review & editing and theoretical refinement and discussion for the manuscript.

Declaration of Competing Interest

The authors also have no financial interests (e.g., patent, ownership, etc.) or personal relationships(including being employed at the same institution as any of the co-authors) that may have inappropriately influenced work reported in this paper.

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Data availability

The datasets used and/or analyzed during the current study are available from the corresponding author on reasonable request. The dataset that was used for the current study cannot be publicly shared as it was collected under confidentiality agreements and according to institutional guidelines.



Firm size	Small, medium, and large organizations
Data type	Cross-sectional survey data
Measurement scale	Five-point Likert scale
Valid responses	Complete and usable questionnaires

Appendix B. Measurement Instruments

No	Variable (Code)	Indicator	Measurement Source
1	CSR Integrity (CSRI)	CSR aligns with ethical responsibility beyond compliance CSR emphasizes fairness in tax contribution CSR discourages aggressive tax planning	Lanis & Richardson (2012); Zeng (2018) Abu-Nassar et al. (2025) Watson (2015)
2	Political Connections (PCI)	Presence of politically connected executives	Faccio (2006); Kim & Zhang (2016)
3	Tax Transparency Commitment (TTC)	Clear tax policy disclosure	Hanlon & Heitzman (2022)
4	Perceived Tax Enforcement (PTE)	Internal tax governance and accountability Audit probability and sanction credibility	Abu-Nassar et al. (2025) Zeng (2018)
5	Tax Avoidance Behavior (TAB)	Engagement in tax minimization strategies	Lanis & Richardson (2012); Davis et al. (2016)
6	Controls	Firm age, size, leverage, profitability	Prior tax governance literature

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