

THE MEDIATING EFFECT OF CSR DISCLOSURE ON GENDER DIVERSITY, PROFITABILITY, AND TAX AVOIDANCE

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Abstract

This study investigates the impact of board gender diversity and profitability on tax avoidance with CSR disclosure as a mediator. The direct and indirect effects of gender diversity on board directors and profitability with tax avoidance are measured with the Structural Equation Model (SEM). In total, 216 data were analyzed from 53 companies in 2018-2022. Overall, the results show that the number of women on the board plays a vital role in the company's information transparency. With women on the board, the level of tax avoidance decreases, and corporate CSR disclosure increases. Profitability affects the level of CSR disclosure as the disclosure of CSR will improve the image of the company and therefore increasing profitability. This research is intended to extend existing literature through the impact of the mediating effect of CSR disclosure on the relationship between board gender diversity and tax avoidance on firms listed in IDX.

Keywords : Board Gender Diversity; CSR disclosure; Profitability; Tax Avoidance

Abstrak

Penelitian ini menginvestigasi dampak dari keragaman gender dewan dan profitabilitas terhadap penghindaran pajak dengan pengungkapan CSR sebagai mediator. Pengaruh langsung dan tidak langsung dari keragaman gender terhadap dewan direksi dan profitabilitas dengan penghindaran pajak diukur dengan Structural Equation Model (SEM). Secara keseluruhan, 216 data dianalisis dalam uji data panel dari 53 perusahaan pada tahun 2018-2022. Hasil penelitian menunjukkan bahwa jumlah perempuan di dewan direksi memainkan peran penting dalam transparansi informasi perusahaan. Dengan adanya perempuan dalam dewan direksi, tingkat penghindaran pajak menurun dan pengungkapan CSR perusahaan meningkat. Profitabilitas berpengaruh terhadap tingkat pengungkapan CSR karena pengungkapan CSR akan meningkatkan citra perusahaan sehingga dapat meningkatkan profitabilitas. Penelitian ini dimaksudkan untuk memperluas literatur yang sudah ada melalui dampak dari efek mediasi pengungkapan CSR pada hubungan antara keragaman gender dewan dan penghindaran pajak pada perusahaan yang terdaftar di BEI.

Kata kunci: Keragaman Gender Direksi; Pengungkapan CSR; Profitabilitas; Penghindaran Pajak

Introduction

Taxation is a fiscal policy tool to manage a country's economy. It is used to stimulate growth and investment in specific industries and new sectors (Zhu et al., 2019). Taxes are an essential source of revenue for all countries and a mainstay of national income. In Indonesia, taxes make up the largest share of government revenue than other sources of income (Mulyati et al., 2019). Therefore, tax revenue needs to be increased as much as possible so that the level of economic growth and the country's growth performance can develop well (Hariani, 2019). Tax revenue is expected to increase compared to the previous year in accordance with the previously set target. However, government plans to optimize tax revenues are not without obstacles, there are interests of individual taxpayers and companies that try to avoid paying taxes (Fatula, 2018). One of the obstacles to tax revenue optimization is the existence of tax avoidance.

Tax avoidance refers to companies that reduce their tax burden, explicitly or implicitly, short term and long term, without incurring additional costs due to tax audits (Purwantini, 2017). When the tax authority determines that the company's tax avoidance constitutes tax evasion rather than legitimate tax avoidance, the company is required to pay the original amount of tax along with any additional penalties. In addition to incurring financial losses, this can negatively impact the company's legitimacy, leading to a decrease in the company's value and revenue.

There are a number of factors that incentivize companies to pay low taxes, starting with the company's financial situation, which is the factor that influences tax avoidance, such as the company's level of profitability, the basis for taxation. Profitability is a determinant of tax burden, which means that profitability has a positive effect on tax avoidance. It has been shown that companies with higher profits pay higher taxes, while companies with lower profit pay lower taxes. The higher the profitability, the higher the tax payment, and the profitability can be affected by the efficiency of corporate tax payments. The more efficient the payment of corporate income tax, the higher the profit margin the company expects (Hariani, 2019). Large companies are reluctant to pay high taxes due to their large profits. Companies try to minimize their profits by looking for alternative sources of debt financing to collect as much tax as possible allowed by law and to meet the interest expenses that must be paid. Management tends to avoid taxes because increased profits affect the value of the company's assets and affect the size of the company (Olkiewicz, 2018).

On the other hand, the study conducted by Bayar et al. (2018) examined the corporate governance as a determinant of tax avoidance decisions. The most important part of this system is a dynamic and cohesive board of directors (Saleem et al., 2021). The board of directors has a vital role in addressing the problems experienced by the company (Aslam & Haron, 2021), designing and implementing strategies, and fostering relationships between the company and the surrounding environment (Arora & Bodhanwala, 2018). Board gender diversity can be said to be a key corporate governance mechanisms that monitors management decision-making on tax avoidance (Vacca et al., 2020). Women have personalities that tend to make lower risky decisions compared to men, and this personality trait will appear in tax decisions (Hoseini et al., 2019).

However, most of previous studies examine the influence of profitability and board gender diversity on tax avoidance have been limited to direct relationships and have not included indirect analyses. In particular, there has been no analysis of the mediating effects of variables that have an important influence on decision-making. It is therefore of interest to investigate the indirect relationship between profitability, board gender diversity and tax avoidance. In this context, this study aims to investigate the mediating effect of CSR disclosure on the relationship between profitability, board gender diversity and tax avoidance.

Companies that actively engage in CSR, if they are found to be engaging in tax avoidance in the sense of tax evasion, will suffer significant losses in corporate legitimacy (Rahman & Li, 2021). According to Chan et al. (2014) and Jo & Harjoto (2011), stakeholders

have a significant influence on CSR disclosure. Not only do stakeholder groups have different expectations of how companies should operate, but stakeholders also have different abilities to influence companies to fulfill their expectations. How a company responds to the impact of these differences depends not only on the institutional environment in which it operates but also on its decision-making characteristics (Yasser et al., 2017). Purcell (1982) states that the corporate board is the aspect that has the responsibility to manage stakeholder interests. Companies with diverse boards have a broader scope to understand societal needs. An attribute of corporate board diversification that is most widely researched is female board representation (Dakhli, 2021).

The widely used theories in explaining the effect of profitability and board gender diversity on the disclosure and quality of information are agency theory and stakeholder theory. Agency theory states that women boards bring a broader perspective and increase board independence, reducing agency costs and tax evasion while increasing firm profitability and transparency of information, such as CSR reporting (Ulla et al., 2023). On the other hand, stakeholder theory argues that management should consider the interests of all stakeholders, not just shareholders (Jarboui et al., 2020). Stakeholder theory is a theory that explains how gender diversity on boards leads to social outcomes. For example, including women on boards can reduce tax avoidance and increase corporate involvement in joint ventures.

Unlike previous studies focusing on the direct effect between CSR disclosure and tax avoidance, this study examines the presence of indirect effects. This study was conducted under the assumption that the disclosure of CSR activities has an indirect impact on the level of corporate tax avoidance, as CSR disclosure has an inherent effect on corporate profitability, which in turn has an inherent impact on the possibilities of tax avoidance by corporate. The higher the level of CSR disclosure, the more likely the company is to obtain sustainability capital from stakeholders and generate valuable resources that can have a positive influence on corporate finance (Harjoto et al., 2015). Therefore, this study was conducted to explain how CSR disclosure mediates the relationship between board gender diversity and profitability on corporate tax avoidance.

Board Gender Diversity and CSR Disclosure

Understanding the influence of board diversity as a decision-making group, as well as the effects of women's representation on boards, is essential for corporate sustainability (Forbes & Milliken, 1999). Huse et al. (2009) suggested that women board members play a part in effective decision-making and may uniquely contribute to CSR control and strategic control because women are said to be more socially oversight than men, and women are more likely to question and expand CSR discussions, thus affecting CSR disclosure. The different characteristics that women bring to the board, their participative, democratic, and sociable leadership style, and their ability to facilitate more informed decision, may result in a more effective board with better judgement and greater supervision over the company's disclosures (Amar et al., 2017). From a decision-making perspective, women on boards provide better platform for sharing operating beliefs, such as CSR disclosure (Jizi, 2017). The engagement of women boards is supported by studies showing a positive correlation between the presence of women on boards, social engagement and CSR disclosure (Dakhli, 2022; Jarboui et al., 2020). Based on the above literature studies, the hypotheses that can be developed are:

H1. Board gender diversity has a positive effect on CSR disclosure.

Profitability and CSR Disclosure

Profitability describes the company's capacity to generate profits from its resources (Riantani & Nurzamzam, 2015). The results of research by Ramadhani and Agustina (2019) state that profitability is an aspect that provides management the freedom and flexibility to fulfill its social responsibility to stakeholders. Profitability can be increased through the disclosure of

CSR which is determined by the trust gained from stakeholders. In other words, companies cannot be separated from stakeholders as they can influence the company directly or indirectly. The higher the level of profitability of the company, it means that the company can make large profits, with the profits obtained, the company can carry out more activities in fulfilling social responsibility hence resulting in higher CSR disclosure (Kamil & Herusetya, 2012). Profitability is an essential factor in disclosing CSR (Ibrahim & Hanefah, 2016). Research conducted by Al-Hamadeen and Badran (2014) shows that profitability is positively and significantly related to CSR disclosure. From this explanation, the hypothesis that can be prepared is:

H2. Profitability has a positive effect on CSR disclosure.

Board Gender Diversity and Tax Avoidance

Some studies argue that gender diversity on boards is one of the critical factors and an ongoing need to ensure oversight and monitoring. The presence of women has a role in compliance with the law, especially in tax matters (Boussaidi & Hamed-Sidhom, 2021). In addition, the impact of women on board of directors is gaining much importance due to their active role in monitoring managerial performance (Riguen et al., 2020).

Previous literature supports that male and female boards react differently to essential decisions made by the board (Coles et al., 2008). Men and women respond differently to corporate tax policies, and the difference between the two can be detected through compliance in paying taxes (Kastlunger et al., 2010). Compared to women, men are less compliant and will seek to adopt procedures for paying the tax burden (Kastlunger et al., 2010). Adams & Ferreira (2009) argue that the existence of women on the board of directors can avoid opportunistic behavior in the sense of avoiding taxes to maximize profits received by shareholders. Women are considered more socially and ethically responsible and knowledgeable regarding expertise and social contacts (Mengyun et al., 2021). Women are more risk-averse than men, especially in financial decision-making (Rachel & Uri, 2009). As per the finding of Dakhli (2022), they found a significant negative effect of the proportion of women on boards on firms' tax avoidance by arguing that heterogeneous boards reduce tax aggressiveness. Following previous research, it can be assumed that the possibility of tax avoidance with women on the board will be lower. Therefore, the research hypothesis will be designed as follows:

H3. Board gender diversity negatively affects corporate tax avoidance.

Profitability and Tax Avoidance

Company profitability can show whether the company is able to generate a profit in a given period for a given level of sales, assets and equity. High company profitability indicates that the company can optimize asset utilization to generate profits. This increased profit will increase the tax expense that must be settled because the profit generated is the basis for taxation, thus increasing efforts to avoid tax (Mulyati et al., 2019).

According to agency theory, which describes the relationship between agents and principals with different interests, the principal or government will collect more taxes to meet national revenue targets, while the boards as agents try to minimize tax payments to increase the company's profits. An increase in profits leads to an increase in the amount of tax paid, and there will be opportunities for tax avoidance. In other words, companies utilize profit to reduce tax payments. Research results from Richardson and Lanis (2007) show a significant relationship between profitability and tax avoidance. Studies by Zarai (2013) found that high profitability indicates a higher effective tax rate, which means that tax avoidance will be lower. Based on the formulation of previous research, the hypothesis in this study can be formulated as follows.

H4. Profitability negatively affects the level of corporate tax avoidance.

CSR Disclosure Mediates Board Gender Diversity and Tax Avoidance

The hypothesis to be investigated is how CSR disclosure affects the correlation between board gender diversity and tax avoidance. Former research has supported that board gender diversity influences CSR disclosure positively (Nguyen et al., 2021; Yang et al., 2019). Board gender diversity encourage directors to assembly different cognitive frameworks which enables them to take into account the interests of multiple stakeholders, including shareholders in regards of company's transparency, such as the level of CSR disclosure (Dakhli, 2021).

However, CSR disclosure affect the level of tax avoidance negatively (Kovermann & Velte, 2021). González and Ramírez (2019) argue that CSR disclosure is negatively correlated with tax avoidance, so companies with greater social responsibility exhibit lower tax-avoiding practices. According to Zeng (2019) socially irresponsible companies tend to have higher unrecognized tax benefits than socially responsible companies which open up the possibility of avoiding tax. On the other hand, firms with higher CSR disclosure attract consumers and investors with similar values, which prevents companies from behaving in a financially aggressive way, such as tax avoidance. This shows that CSR disclosure has an indirect influence between board gender diversity and tax avoidance. Companies with higher CSR disclosure can assess the needs of different stakeholders. As a result, effective corporate governance mechanisms such as board gender diversity are enhanced, leading to adaptive and organizational changes, such the level of monitoring firm's tax compliance (Jarboui et al., 2020). From this explanation, the hypothesis that can be compiled is:

H5. CSR disclosure mediates the relationship between board gender diversity and tax avoidance.

CSR Disclosure Mediates Profitability and Tax Avoidance

Previous research conducted has supported the significance relationship profitability has against tax avoidance (Mulyati et al., 2019) and CSR disclosure (Ibrahim & Hanefah, 2016). In this context, CSR disclosure will be hypothesized to mediate the relationship between profitability and tax avoidance. Firm with a high level of profitability that makes large profits, can carry out more socially responsible activities resulting in a high CSR disclosure.

Correspondingly, according to Godfrey (2005), it is stated that companies will intensively increase their CSR disclosure to protect the reputational risks that may arise from the existence of practices related to tax avoidance. The camouflage of CSR disclosure is an interesting issue. The higher the CSR disclosure, the higher the chance of tax avoidance practice happens which means CSR disclosure has a negative influence on tax avoidance. Companies that carry out strategies in the form of CSR disclosure will be bolder to take advantage of the grey area of taxation. These results therefore suggest that the CSR disclosure has an indirect but absolute effect on the level of tax avoidance.

From the previous explanation, it can be said that profitability has a positive effect on corporate CSR disclosure, which in turn will have a negative impact on corporate tax avoidance. Therefore, it can be concluded that CSR disclosure functions as a mediator between corporate profitability and corporate tax avoidance. Based on the formulation, the hypothesis in this study can be formulated as follows.

H6. CSR disclosure mediates the relationship between profitability and tax avoidance.

Method

Based on the explanation of the relationship between variables, the research model can be illustrated as:

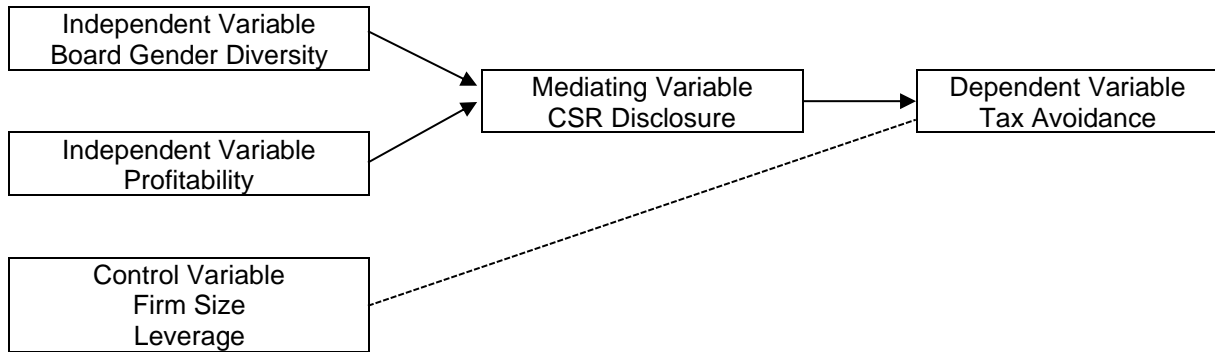


Figure 1. Research Model

In conducting research, the type of approach used is a quantitative approach, namely an empirical study of gender diversity on the board of directors, profitability, and CSR disclosure on tax avoidance. The object chosen is firms listed on the Indonesia Stock Exchange (IDX) in 2018-2022. Excluded firms did not report sustainability reports in 2018-2022. Thus, the number of companies that meet the requirements as a sample is 53 companies out of a total of 810 companies. The data that has been collected is then carried out by an outlier test, which eliminates 49 data from 265 data so that the final sample of the study is 216 data with the sample selection summarized in Table 1.

Table 1. Sample Data

Description	Total
Companies listed in IDX	810 companies
Companies that do not meet the criteria	757 companies
Companies sampled	53 companies
Year of research	5 years
Total sample data	265 data
Number of outliers	49 data
Total research data	216 data

Each research variable will be measured as follows:

Corporate tax avoidance will be measured using ETR (Effective Tax Rate). ETR measurement has been widely used as a measurement in researching tax avoidance (Abdelfattah & Aboud, 2020; Dakhli, 2022). ETR is suitable for assessing tax avoidance behavior because it can determine temporary and permanent tax avoidance approaches (Dyrenge et al., 2017). In Indonesia, the corporate ETR standard is 25%. If the ETR is <25%, then the company can be suspected of avoiding tax. This is per the findings of Gulzar et al. (2018) that the lower the ETR, the higher the tax avoidance rate, and its use is relevant to explain the descriptive statistics.

$$ETR = \frac{\text{Tax Expense}}{\text{Earning Before Tax}} \tag{1}$$

Board gender diversity is assessed by the number of board of directors occupied by women divided by the total board members of the sample companies (Dakhli, 2022).

$$BGD = \frac{\text{Number of Female Director}}{\text{Total Board of Director}} \tag{2}$$

ROA (Return on Asset) is a proxy that is used as a measurement that reflects the company's profitability. The higher the value, the better the company's profitability. ROA is

generated by the net profit and tax expenses. The formula for calculating ROA is earnings before tax divided by total assets (Rahman & Li, 2021).

$$ROA = \frac{\text{Earning Before Tax}}{\text{Total Asset}} \quad (3)$$

CSR disclosure is measured using the CSR score as a proxy (Alareeni & Hamdan, 2020; Bacha et al., 2021; Dakhli, 2021). CSR score is a combination of environmental, economic, and social dimensions that can be taken from the GRI index. The GRI index used as a measurement of CSR disclosure is the GRI standards 2018. CSR data is taken by dividing the number of CSR indexes reported by the company by the total number of CSR indexes, which is 94.

$$CSR = \frac{\text{Total GRI Disclosed}}{\text{Total GRI Index}} \quad (4)$$

Companies with larger sizes will be more aggressive with their tax policies than small companies. In contrast, Prabowo (2020) argues that company size has no relationship with corporate tax avoidance. Therefore, company size is added as a control variable in conducting the research. Company size is assessed by the natural logarithm of total assets owned by the company (Dakhli, 2022).

$$SIZE = \text{Log}(\text{Total asset}) \quad (5)$$

Leverage is indicated by dividing total liabilities by total assets. It is argued that companies with debt will be more aggressive in obtaining opportunities to apply tax deductions caused by interest payments on debt (Sari & Tjen, 2016). Hence, leverage is added as a control variable.

$$LEV = \frac{\text{Total Liabilities}}{\text{Total Asset}} \quad (6)$$

To research the correlation between tax avoidance, board gender diversity, and profitability through CSR disclosure, path analysis modeling will be used (Wang et al., 2021). Path analysis modeling is used because it has the advantage of being able to test variables direct and indirectly. To conduct path analysis modeling for research with mediation relationships that use regression analysis, the research procedure that will be adopted is the approach taken by Baron and Kenny (1986). It has become the commonly used method in recent years to research mediating effect (Galbreath, 2018).

Based on Baron and Kenny (1986) research to examine mediation, three relationships must be discussed first. First, board gender diversity and profitability as independent variables should be significantly related to CSR disclosure, which is the mediating variable. Furthermore, board gender diversity and profitability as independent variables should be substantially related to tax avoidance as the dependent variable without being influenced by the mediating variable. Finally, if the correlation between board gender diversity and profitability as independent variables and with tax avoidance as the dependent variable changes insignificantly after including the effect of CSR disclosure, which is a mediating variable, then CSR disclosure as a partial mediator is accepted, and if the impact of CSR disclosure which is a mediating variable affects the correlation between board gender diversity and profitability as independent variables and with tax avoidance as the dependent variable changes significantly, then CSR disclosure is accepted as a full mediator.

In testing tax avoidance, the ETR formula will be used, namely the tax expenses divided by the total earnings before tax. The use of this formula will show results that have contradictory meanings. That is, the higher the ETR result, the lower the possibilities of tax avoidance, and vice versa, the lower the ETR result, the higher the possibilities of tax avoidance.

Next, we estimate models 1-3 that examine the direct and indirect relationships between board gender diversity, profitability, and tax avoidance:

$$CSR = a_1 + x_1BGD + x_2ROA + x_3SIZE + x_4LEV + e \text{ (model 1)} \quad (7)$$

$$ETR = a_2 + x_1BGD + x_2ROA + x_3SIZE + x_4LEV + e \text{ (model 2)} \quad (8)$$

$$ETR = a_2 + x_1BGD + x_2CSR + x_3ROA + x_4SIZE + x_5LEV + e \text{ (model 3)} \quad (9)$$

Results and Discussion

Table 2 summarizes descriptive for the variables in the research model. The level of corporate tax avoidance is calculated using ETR, which shows an average value of 20.92%. The higher the percentage of ETR, which is close to 25%, the lower the possibilities of tax avoidance, conversely, the lower the percentage of ETR, the higher the possibilities of tax avoidance carried out by the company. In other words, the average level of tax avoidance is not classified as high.

Table 2. Statistic Descriptive

Variables	Mean	Median	Maximum	Minimum	Std. Dev.
BGD	0.1260	0.0770	0.6000	-	0.1628
ROA	0.0901	0.0604	0.6119	0.2824	0.1200
CSR	0.3728	0.3191	0.9255	0.0426	0.1981
ETR	0.2092	0.2221	0.4786	-0.0462	0.1043
LEV	0.5540	0.5597	1.4037	0.0742	0.2402
SIZE	13.5380	13.4231	15.2994	11.9548	0.7535

Note: ETR: Tax avoidance; BGD: Board gender diversity; ROA: Profitability; CSR: CSR disclosure; LEV: Leverage; SIZE: Firm size

The average value of board diversity is 12.6%, with a standard deviation of 16.28%. A standard deviation value smaller than the mean value indicates a small spread of variable data or no sizable gap between the lowest and highest BGD ratios. Therefore, the participation of women on the board of directors of companies listed in Indonesia is considered low. Darmadi (2013) research also showed similar results, with a proportion of female board of directors of 12% and a standard deviation of 19%.

There is a notable difference in the level of CSR values in the companies selected as research samples, with a minimum value of 0 and a maximum of 0.88. The minimum value of 0 is because there are samples that do not report CSR in a particular year according to the predetermined measurement. The average value of CSR reporting measured using CSR indexes is 37.28%, meaning that out of a total of 94 GRI indexes, a total of 35 indexes were reported.

ROA values vary widely from -28.24% to 61.19%, with an average of 0.09%. These ROA figures mean that there has been an improvement in the economic performance of Indonesian companies over the past few years. The LEV figure, which ranges from 7.42% to 140.37% with an average of 55.4%, shows the dependence of Indonesian companies on creditor contributions. The minimum value of SIZE is 11.96, and the maximum value is Rp 15.30, with an average of 13.54.

To test the variable of mediation, Sobel (1982) proposed an approach to test the significance of the indirect effect of the mediator.

Table 3. Results of regression analysis

Variables	CSR		ETR		ETR	
	Model 1		Model 2		Model 3	
	Coefficient	Prob.	Coefficient	Prob.	Coefficient	Prob.
Constant	0.23134	0.01050	0.26934	-	0.28504	-
BGD	0.29942	0.04210	0.09516	0.03240	0.10326	0.02010
ROA	0.42575	0.04270	(0.06555)	0.30420	(0.05082)	0.42610
CSR	-	-	-	-	(0.04196)	0.10070
SIZE	0.00000	0.00100	0.00000	0.72100	0.00000	0.61700
LEV	(0.06717)	0.62130	(0.12216)	0.00140	(0.12725)	0.00090

Note: ETR: Tax avoidance; BGD: Board gender diversity; ROA: Profitability; CSR: CSR disclosure; LEV: Leverage; SIZE: Firm size

Relationship between BGD, ROA, and CSR (Model 1)

The first step in conducting mediation model research based on Baron and Kenny (1986) is to test the significance between BGD and ROA (independent variables) with CSR (mediating variable). Table 3 shows that BGD significant positively affect CSR (prob = 0.04210 (<0.05), coef = 0.29942). This result suggests that with women on the board of directors, companies will have higher involvement in CSR. Women on boards are expected to build better relationships with stakeholders as women are considered more understanding of social demands and have good judgment in strategic decision-making related to corporate sustainability (Jarboui et al., 2020). Furthermore, women are more oriented towards social issues than men, so the influence of women on the board of directors allows them to take CSR initiatives and improve environmental performance (Hussain et al., 2018). This finding supports previous research that studied the relationship between the two variables (Dakhli, 2022; Jarboui et al., 2020; Wang et al., 2021). Thus, H1 is accepted, and it is concluded that to improve CSR performance, companies may consider increasing the percentage of women on the board of directors.

The next step is to investigate the significant relationship between ROA and CSR. As shown in Table 3, the interaction between ROA and CSR is positive and significant (prob = 0.04270 (<0.05), coef = 0.42575). Companies that actively disclose CSR activities will improve the company's positive image for consumers. The increasing interest towards a company will increase profit, which are proxied by ROA (Wicaksono et al., 2023). This result is consistent with research conducted by Fairuzi and Tjahjadi (2022), which shows that companies with good financial performance (ROA) also perform better CSR activities. Thus, it can be concluded that H2 is accepted.

Direct relationship between BGD, ROA, and ETR (Model 2)

The second step is to test the relationship between BGD and ROA (independent variables) with ETR (dependent variable). The results of the test between the BGD and ETR variables show a positive and significant relationship (prob = 0.03240 (<0.05), coef = 0.09516). Thus, BGD has a positive influence on ETR, meaning that companies with high board gender diversity will have a higher ETR, and the higher ETR will reduce the level of tax avoidance. Women have a leadership style that is more cautious about potential risks involving the company's reputation, so they are more careful in making tax decisions (Hoseini et al., 2019). The results of the research conducted are consistent with previous empirical studies (Dakhli, 2022; Jarboui et al., 2020; Salhi et al., 2020). Therefore, H3 can be accepted.

Tests conducted on the ROA and ETR variables based on the analysis results obtained a regression coefficient value of -0.06555 and a significance value of 0.30420. The company assumes that tax avoidance is a risky activity, so the company will not take risks in minimizing

its investment. Conversely, a company that has a high ROA indicates that the company can cover or fulfill its tax burden following applicable tax regulations (Mulyati et al., 2019). Profitability does not influence corporate tax avoidance, so H4 is not proven.

Among the control variables, Table 3 shows that SIZE does not affect ETR (prob = 0.72100, coef = 0.00000). Large companies are not too aggressive in tax avoidance due to concerns about reputation and market value (Richardson et al., 2016). The results also found that LEV has a negative and significant effect with a regression coefficient value of -0.12216 and a significance value of 0.00140. Companies with more debt or leverage will reduce the ETR, and if the ETR is reduced, the possibility of tax avoidance will increase. This happens because long-term debt incurs fixed costs in the form of interest payments on debt, which are costs that can reduce taxable income so that companies can take advantage of using debt to reduce tax burdens (Hariani, 2019).

Indirect relationship between BGD, ROA, and ETR (Model 3)

The third step in testing the mediation effect is to evaluate the impact of the indirect effect between the independent variable and the dependent variable with the mediator variable. In this step, the relationship between BGD, ROA, and ETR is tested by adding a mediator variable, CSR. The results of testing model 3 in Table 3 on CSR and ETR produce a regression coefficient value of -0.04196 and a significance value of 0.10070, indicating that CSR does not affect ETR. This result shows the mediating variable did not affect the dependent variable, which means further testing is unnecessary, as the relationship between CSR and ETR needed to be significant to result in the mediating effect.

Companies have little reason to use CSR as a strategic tool to maximize profits or hide the consequence of engaging in tax avoidance. As a result, it can be assumed that companies tend to perform and report CSR activities as a moral compulsory rather than the result of managerial opportunism (Alsaadi, 2020). In addition, this finding can occur because the CSR information reported is not necessarily by the actual conditions, so CSR reporting in sustainability reports cannot be used to guarantee the high and low levels of tax avoidance by companies. From the test results, it can be concluded that the effect of CSR as a mediator is not accepted, hence H5 and H6 are not accepted.

Conclusions

This study examined CSR disclosure as a mediating effect on the relationship between board gender diversity, profitability, and corporate tax avoidance. The sample data of the study consists of companies in Indonesia listed on the IDX (Indonesia Stock Exchange) from 2018-2020. The focused companies are those that publish sustainability reports. The study found that the relationship between the variables of board diversity and CSR disclosure and the relationship between the variables of board diversity and corporate tax avoidance showed a positive and significant relationship. The test results show that a female board of directors focuses on improving the financial performance and environmental performance of the company. Women are considered to be more socially and ethically responsible and more risk-averse than men, especially in terms of financial decision-making. Testing the relationship between ROA and CSR disclosure results in a positive and significant relationship that proves that companies with good financial performance will be more compliant in reporting corporate CSR. CSR disclosure as a mediating effect between board gender diversity, ROA, and tax avoidance is rejected because the test results of CSR disclosure on tax avoidance show insignificant results. Finally, it should be noted that this study has several limitations. First, the sample is company that publish company's sustainability reports. As sustainability report is not an obligatory report to publish in Indonesia, the total sample is still quite limited. Future research could extend the sample company that engaged in CSR activities that might not publish sustainability report. Secondly, this study is limited to examining CSR disclosure as a

proxy variable. This variable was found to not mediate the relationship between board characteristics, profitability and tax avoidance. Therefore, future research can examine other variables that may mediate this relationship. The results of the study have practical implications for companies when organising the composition of their boards of directors. In order to benefit from diversity, companies should increase the proportion of women on their boards. Investors are also urged to consider the proportion of women on their boards when investing.

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