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Gerged, A.M. orcid.org/0000-0001-6805-2737, Kehbama, K.M. and Beddewela, E.S. orcid.org/0000-0003-1006-1811 (2024) Corporate social responsibility disclosure and corporate social irresponsibility in emerging economies: does institutional quality matter? Business Ethics, the Environment & Responsibility. ISSN 2694-6416

<https://doi.org/10.1111/beer.12683>

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ORIGINAL ARTICLE

Corporate social responsibility disclosure and corporate social irresponsibility in emerging economies: Does institutional quality matter?

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Abstract

The Panama Papers (2016), Paradise Leaks (2017), and Pandora Papers (2021) have revealed the extensive practice of corporate tax avoidance. Yet, the tax behavior of companies claiming to be “socially responsible” has been less examined. This study examines the association between corporate social responsibility disclosure (CSRD) and tax avoidance, particularly in developing economies, focusing on Sub-Saharan Africa (SSA). By analyzing data from 600 firm-year observations across 13 SSA countries using panel quantile regression, we found a negative relationship between CSRD, which includes ethical, social, and environmental dimensions, and tax avoidance. This aligns with legitimacy theory, indicating that firms are increasingly adopting CSR transparency to meet societal expectations and gain stakeholder trust, avoiding socially irresponsible behaviors. Furthermore, the quality of national governance significantly moderates the CSRD–tax avoidance relationship, supporting the concept of institutional isomorphism. This evidence is valuable for professionals and policymakers and encourages further research to deepen and broaden these findings.

KEYWORDS

corporate social responsibility disclosure, institutional quality, legitimacy theory, Sub-Saharan Africa region, tax avoidance

1 | INTRODUCTION

Over the last 10 years, the role of corporate social responsibility (CSR) in reshaping business operations has been markedly profound. CSR captures a business's dedication to meeting obligations that extend beyond the mandatory legal and financial requirements, embracing those that are ethical and voluntary (Carroll, 1979). In contrast, corporate social irresponsibility (CSI) emerges when businesses overlook or breach these obligations, adversely affecting stakeholders (Armstrong, 1977). Thus, CSI involves not just a lack of ethical conduct but also intentional acts that violate societal duties

(Craig & Brennan, 2012; Jones & Solomon, 2010). Consequently, firms admired for actively engaging in CSR initiatives can still participate in “irresponsible” actions, such as pursuing practices like corporate tax avoidance while maintaining responsibilities in other areas (Keig et al., 2015).

Although tax avoidance might be within legal bounds, it raises ethical dilemmas. Lanis and Richardson (2015) argue that companies ethically owe it to the jurisdictions in which they operate to pay the appropriate taxes. However, endeavors aimed primarily at reducing tax obligations can sometimes be perceived as socially unethical actions (Dowling, 2013). An illustrative example is Trainline

in the United Kingdom, which, despite its UK operations, is incorporated in Luxembourg, a known tax haven (House of Commons Hansard, 2013). Revelations like the “Panama Papers” and “Paradise Papers” have cast a spotlight on several international firms routing substantial amounts to tax havens, thus depriving governments of vital revenues (BBC, 2017). This scenario poses questions about the sincerity of companies that claim to adhere to CSR principles while engaging in tax evasion practices.

One aspect of CSR, corporate social responsibility disclosure (CSRD), necessitates distinguishing between mere promotional speech (“talk”) and actual implementation (“walk”) (Tashman et al., 2019). CSRD serves to inform the public about a company's ethical commitments (Jiang et al., 2022). Here, the global reporting initiative (GRI) framework emerges as a pivotal tool, providing standardized voluntary guidelines to ensure global consistency in CSRD and to enhance corporate transparency and accountability (Adams & Narayanan, 2007; Gerged, Salem, et al., 2023; GRI, 2020a, 2020b). The GRI specifically promotes the disclosure of “material topics” pertinent to ethical and environmental concerns (GRI, 2020c).

CSRD plays a crucial role in strengthening corporate transparency and fostering trust among stakeholders (Kiesewetter & Manthey, 2017). Thus, companies engaging in CSRD often enjoy reputational benefits and better access to financial resources, as CSRD helps alleviate stakeholder concerns regarding CSR engagement (Mathews, 1995). Yet, there is potential for firms to manipulate their CSRD, by highlighting their CSR achievements while minimizing their CSI activities, thereby crafting an image of “responsibility” for stakeholder consumption (Parker, 2011). This paper aims to explore the connection between CSRD and tax avoidance within developing economies more thoroughly, investigating whether “responsible” companies genuinely avoid irresponsible practices, such as tax avoidance, and what factors might influence this relationship. Consequently, our initial research question is: How does corporate social responsibility disclosure relate to tax avoidance in emerging markets?

Previous studies offer varied perspectives on the relationship between CSR and tax avoidance (Davis et al., 2016; Du & Li, 2023; Hoi et al., 2013; Kiesewetter & Manthey, 2017; Lanis & Richardson, 2015; Lisowsky et al., 2013; Marques et al., 2024; Rakia et al., 2024; Watson, 2015), including analyses on how national culture influences the extent to which CSR affects tax evasion behavior (Ortas & Gallego-Álvarez, 2020). However, there is a research gap in examining how the overall governance quality within a country might affect the CSRD–tax avoidance link. Thus, we introduce our second research question: Is the relationship between CSRD and tax avoidance contingent on the quality of national governance in developing countries?

This study is centered on the Sub-Saharan Africa (SSA) region, which is defined by the World Bank Data (2019) as the area south of the Sahara Desert. This region is known for its vast landscape, large population, and the cultural and economic diversity of its 48 member countries (Gerged, Chijoke-Mgbame, et al., 2023). More

than half of these nations are considered resource-rich, contributing significantly to the region's GDP (EITI, 2014). Our analysis spans a selection of companies from 13 SSA countries, representing a broad spectrum of economic growth, governance quality, and development levels as identified by The World Bank Data (2019). This selection includes countries recognized as “resource-rich” by the World Bank and the Extractive Industry Transparency Initiative (EITI) in 2013, alongside emerging resource-rich countries and those classified as non-resource-rich (EITI, 2014). Our diverse sample is intended to enhance the generalizability of our findings and enable a detailed cross-sectional analysis, following the methodology recommended by Bryman and Bell (2011). The selection of these countries also considers data availability.

To date, the CSRD–tax avoidance nexus in the SSA region remains underexplored. The region's weaker institutional frameworks and lower levels of tax mobilization compared to developed areas present a unique setting for this study; SSA countries reported a tax revenue to GDP ratio of merely 15% in 2010, significantly lower than the 35% observed in OECD countries (OECD, 2010). Given the influence of a country's institutional framework on corporate tax behavior (Nikiema & Zahonogo, 2017), examining the CSRD–tax avoidance connection in an environment of weak governance structures provides valuable insights, particularly for developing and least-developed countries.

Our empirical analysis involves companies listed on six stock exchanges across 13 countries, offering a comprehensive view of various economic and governance environments within the SSA region. Our findings indicate a correlation between higher levels of CSRD and reduced tax evasion, with national governance quality acting as a moderator in this inverse relationship.

Therefore, our research contributes to the academic debate in multiple ways. It diverges from prior studies that primarily focused on tax avoidance among socially responsible companies (Davis et al., 2016; Hoi et al., 2013; Kiesewetter & Manthey, 2017; Lanis & Richardson, 2015; Özbay et al., 2023; Rashid et al., 2024; Salah et al., 2024; Sarhan, 2023; Watson, 2015), by centering on CSRD (talk) specifically and differentiating it from broader CSR or corporate social performance (walk) concepts. Our study examines the effects of CSRD on tax evasion behavior, building upon the foundation laid by Jiang et al. (2022).

Importantly, we introduce an innovative exploration of how national governance quality moderates the CSRD–tax avoidance relationship across multiple countries. This aspect of our research could provide valuable insights for policymakers and corporate managers in these regions, highlighting the role of national governance quality in fostering long-term corporate legitimacy through consistent corporate responsibility efforts, leading to increased CSRD and decreased tax avoidance. A distinctive feature of our study is its focus on the SSA region, expanding the scope of CSRD–tax avoidance research to include developing and least-developed countries, which have been largely overlooked in previous studies.

Methodologically, our study employs a context-specific CSRD index tailored for the SSA context, covering 40 items across

ethical, social, and environmental disclosures (Appendix 1). This index, which was developed to collect CSR data manually from corporate reports within a stratified sample of non-financial companies across 13 SSA countries, builds upon and extends previous CSRD research (Aggarwal et al., 2011; Haniffa & Cooke, 2005; Mallin & Ow-Yong, 2012; Mathews, 1995; Parker, 2011; Waddock & Graves, 1997). Crucially, this revised index reflects a comprehensive definition of CSRD in developing countries, characterized predominantly by voluntary disclosures of CSR information, and includes an ethical subindex (11 items), a social subindex (16 items), and an environmental subindex (13 items). Hence, it can be used to measure CSRD practices of firms operating in other emerging economies of a similar nature to the SSA region, such as the Middle Eastern and North African region, and Southeast Asian region.

Additionally, our study leverages the panel quantile regression (PQR) model proposed by Powell (2022) as a highly suitable estimation technique for examining the CSRD–tax avoidance relationship. This model offers a more detailed analysis than traditional regression methods, such as least squares, by predicting the conditional median of the dependent variable, which is more robust to outliers than the conditional mean in the least squares regressions (Cobb-Clark et al., 2016).

The subsequent sections of this paper are organized as follows: An initial review of relevant literature and hypothesis development, followed by an explanation of the research design, the presentation of empirical findings from regression analysis, and a conclusion that discusses the implications of our study, its limitations, and directions for future research.

2 | LITERATURE REVIEW

2.1 | Previous studies

A substantial body of research has examined the links between CSR and tax avoidance strategies, with a predominant focus on developed economies, particularly the United States, due to the ease of accessing data (Davis et al., 2016; Hoi et al., 2013; Lisowsky et al., 2013; Watson, 2015). These investigations have largely concentrated on the overarching impacts of CSR/performance, overlooking the specific interactions between CSRD and tax avoidance. Hoi et al. (2013) argued that engaging in tax avoidance can be seen as a form of “irresponsible” corporate practice, detrimental to both corporate governance and environmental sustainability. Similarly, Kiesewetter and Manthey (2017), along with Col and Patel (2019), identify a negative association between CSR practices and tax avoidance. Conversely, Lanis and Richardson (2015) and Watson (2015) present findings that companies committed to social responsibility tend to engage less in tax avoidance activities. Contrary to these findings, Abdelfattah and Aboud (2020) observed a positive correlation between CSR and tax avoidance in the context of Egypt, suggesting that companies might leverage CSR initiatives as a protective measure against the fallout from tax avoidance-related negative perceptions.

Despite the breadth of this scholarly work, several gaps remain unaddressed. First, there is a prevailing tendency in the existing literature to analyze CSR performance (CSR walk) without adequately considering CSRD (CSR talk) in relation to tax avoidance activities (Davis et al., 2016; Hoi et al., 2013; Kiesewetter & Manthey, 2017; Lanis & Richardson, 2015; Lisowsky et al., 2013; Rakia et al., 2024; Rashid et al., 2024; Sarhan, 2023; Watson, 2015). Second, there is a noticeable geographical skewness toward developed nations in these studies (Col & Patel, 2019; Davis et al., 2016; Hoi et al., 2013; Kiesewetter & Manthey, 2017; Lanis & Richardson, 2015; Salah et al., 2024; Sarhan, 2023; Watson, 2015), with limited exploration in developing countries, except for recent instances, such as China (Jiang et al., 2022), Bangladesh (Rashid et al., 2024), and Malaysia (Rakia et al., 2024), or analyses adopting a broader cross-country approach (Du & Li, 2023; Jones et al., 2017). Third, there is an oversight of crucial macro-level determinants that could influence the CSRD–tax avoidance link. For example, Ortas and Gallego-Álvarez (2020) have highlighted the significance of national cultural attributes. Yet, an in-depth investigation into the effects of national governance quality on the CSRD–tax avoidance relationship, as suggested by Nikiema and Zahonogo (2017), remains absent in the literature. Furthermore, there is a methodological dependency on conventional least-squares regression techniques, which have their limitations, such as the inability to adequately handle outliers and the assumption of parametric error distribution (Powell, 2022).

Our investigation aims to bridge these identified gaps by focusing on the relationship between CSRD (CSR talk) and tax avoidance in the context of developing nations, with a special emphasis on the Sub-Saharan Africa (SSA) region through a multi-country perspective. We also contribute to the discourse by exploring how institutional quality serves as a moderating factor in the CSRD–tax avoidance connection, utilizing a neo-institutional framework. Uniquely, our study constructs a CSRD disclosure index based on previous studies and the GRI framework (Deegan & Rankin, 1997; Epstein & Freedman, 1994). Additionally, to avoid the methodological shortcomings noted in previous research, we apply Powell's (2022) panel quantile regression approach.

The subsequent sections will present our hypotheses, rooted in the theories of legitimacy and neo-institutionalism.

2.2 | The relationship between CSRD and tax avoidance

In the field of CSR, there is a recognized expectation for businesses to extend their focus beyond profit generation to include the wider interests of all stakeholders in the process of creating value (Margolis & Walsh, 2003). This perspective advocates for companies to acknowledge their ethical responsibilities toward the broader community, thereby paying attention to the social consequences of their operational choices beyond just economic returns (Mackey et al., 2007). CSRD emerges as a fundamental strategy for enterprises to demonstrate their dedication to

fulfilling their societal responsibilities. Rooted in the principles of legitimacy theory, CSRD offers a transparent means for organizations to share their endeavors in CSR and sustainability, such as environmental stewardship and adherence to tax regulations, thereby legitimizing their business practices in a societal context (Donaldson & Dunfee, 2002).

This practice of disclosure forms a “social contract” between businesses and the community (Hodapp & Donaldson, 1990), symbolizing the businesses' commitment to align with the societal values and norms appreciated by their stakeholders. From this perspective, tax avoidance is viewed as a breach of this social contract. It could potentially undermine a corporation's legitimacy and endanger its reputation with key stakeholders, which could adversely affect its long-term sustainability (Donaldson & Dunfee, 1994).

Further supporting this view, studies have identified a correlation between proactive CSR engagement, including CSRD, and a reduced likelihood of tax avoidance (Hoi et al., 2013). It appears that companies that are diligent in their CSRD practices are more cautious about adopting tax avoidance measures perceived as unethical, motivated by a desire to maintain their legitimacy and ensure their ongoing success (Donaldson & Dunfee, 2002). This association is corroborated by empirical data from industrialized nations, which reveal a negative relationship between active CSR participation (involving CSRD) and the propensity for tax avoidance (Col & Patel, 2019; Kieseewetter & Manthey, 2017).

Avi-Yonah (2008) contends from a corporate social responsibility (CSR) perspective that corporations ought to avoid engaging in tax avoidance strategies that are primarily focused on profit-making and do not have a legitimate business purpose, even when these strategies are technically lawful. Christensen and Murphy (2004) support the view that by fulfilling their tax obligations, companies can show a strong commitment to societal welfare. Therefore, both theoretical underpinning and previous research findings suggest that there is a negative relationship between CSRD practices and corporate efforts to avoid taxes. This implies an expectation for companies to take on a greater role in contributing to society. Consequently, we propose the following hypothesis:

- H1.** There is a negative association between CSRD and corporate tax avoidance in emerging economies.

2.3 | The moderating role of national governance quality

The relationship between CSR activities and tax avoidance practices is a well-debated topic in academic research, presenting mixed results. Studies like Lanis and Richardson (2012, 2015) and Hoi et al. (2013) suggest that companies dedicated to CSR are less likely to engage in tax avoidance, as they see paying taxes as a way to support societal welfare and reduce economic disparities. Conversely, research by McGee (2010), Huseynov and Klammer (2012), Sikka (2010), and Davis et al. (2016) proposes that companies actively involved in CSR might

increase tax avoidance to reallocate funds toward job creation and economic growth.

This divergence highlights the role of external factors, possibly at the institutional level. Drawing from neo-institutional theory, this study examines how the explicit and implicit rules of institutions shape corporate behaviors. For instance, weak institutional frameworks, which often lead to poor tax collection, significantly influence corporate tax strategies (Nikiema & Zahanogo, 2017). The governance quality also affects CSRD activities, underlining the role of public institutions in guiding corporate transparency (Baldini et al., 2018; Gerged, Beddewela, et al., 2023).

Employing neo-institutional theory, we consider how institutional environments foster corporate consistency through isomorphism (Deegan & Shelly, 2014; DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Our focus is on coercive isomorphism, where legal regulations or societal expectations compel firms to adopt certain practices (Campbell, 2007; Gerged, Beddewela, et al., 2023). Such pressures encourage firms to report their CSR activities and follow ethical tax practices, especially in regions that uphold these standards.

Additionally, the theory comprises both formal regulations, such as environmental standards, and informal regulations, like societal norms (Kaufmann et al., 2011). A robust governance framework can, therefore, encourage companies to enhance their CSR efforts and reduce tax avoidance (Barakat & Hussainey, 2013; Nikiema & Zahanogo, 2017).

In essence, this study, through neo-institutional theory, posits that the governance quality of a nation significantly influences the CSR–tax avoidance link in emerging economies.

- H2.** The quality of national governance serves as a pivotal moderating force in determining the relationship between CSRD and tax avoidance in emerging economies.

3 | RESEARCH DESIGN

3.1 | Data and sample

Ntim (2016) emphasized the crucial role of corporate reporting in promoting accountability to a wide range of stakeholders. These reports, which can take the form of annual summaries, integrated reports, or CSR/sustainability documents, are key to sharing vital information about a company's impact on the environment, society, ethics, financial health, and tax adherence.

For this study, the “African Markets” database, which includes reports from publicly listed companies across Africa, was utilized as the main data source. The study investigates the content and target audience of these reports, focusing on their narrative aspects, whether they are voluntary or mandatory.

The sample selection was based on companies listed on six major stock exchanges across 13 countries: South Africa, Kenya, Nigeria,

Ghana, Botswana, and the Bourse Regionale des Valeurs Mobilières (BRVM), which includes Benin, Burkina Faso, Guinea Bissau, Ivory Coast, Mali, Niger, Senegal, and Togo. These markets were selected due to their prominence, activity level in the SSA region, and the availability of data, making them suitable for a detailed empirical study. These countries represent a significant portion of SSA's GDP and stock market value, according to Acquaah (2015). Despite the presence of other stock exchanges in the SSA, this study focuses on these markets due to their established status and the potential to explore the CSR–tax avoidance relationship effectively.

The study analyzed companies listed on “African Markets” with available annual reports over a 5-year period. A preliminary list of 120 companies across the specified exchanges and countries, excluding financial institutions due to their unique reporting requirements, was created. Following established methodologies (e.g., Gerged et al., 2018; Ntim, 2016), companies were selected based on size, industry, and the availability of necessary reports and financial data from 2012 to 2016.

As delineated in Table 1, from our data, we distilled a sample of 120 firms spread across 13 countries. Reports spanning 5 years were collated and examined, yielding a total of 600 observational data points.

TABLE 1 Sampling criteria.

Category	Industrial firms	Service firms	Total firms
Panel A: Sampled firms at the country level			
<i>Largest firms^a</i>			
South Africa	7	9	16
Kenya	10	7	17
Nigeria	10	6	16
Ghana	5	2	7
Botswana	5	4	9
BVRM ^b	3	2	5
<i>Smallest firms</i>			
South Africa	7	7	14
Kenya	7	6	13
Nigeria	8	5	13
Ghana	2	2	4
Botswana	1	1	2
BVRM	3	1	4
Total	68	52	120
Panel B: Sampled firms at the SSA level			
Largest firms	40	30	70
Smallest firms	28	22	50
Total	68	52	120

^aFirm size is proxied by the average of total assets.

^bBVRM (Bourse Régionale des Valeurs Mobilières) includes Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal, and Togo. The sampled companies are listed on six main stock exchanges across 13 SSA countries.

3.2 | Variable measurement

3.2.1 | Dependent variable (tax avoidance)

Table 2 outlines the definitions for the variables under study. At the forefront of these variables is the concept of tax avoidance (TA), which is determined by corporate reporting on environmental, social, and ethical concerns. The challenge of quantifying corporate tax avoidance, primarily due to the private nature of tax filings, is acknowledged by Lanis and Richardson (2015). Nonetheless, Salihu et al. (2013) emphasize the utility of data on “taxable income and tax owed” extracted from financial disclosures for assessing tax avoidance efforts.

The metric known as the accounting effective tax rate (AETR) calculates the ratio between total tax charges and pre-tax financial earnings, serving as a gauge for tax avoidance activities in relation to reported income (Armstrong et al., 2012; Dyreng et al., 2010). AETR's limitations include its focus solely on tax avoidance that does not align with tax reporting standards and its inability to account for deferred tax strategies (Salihu et al., 2013).

Conversely, the current effective tax rate (CETR) is determined by dividing the current year's tax expense by the total pre-tax financial earnings, thus reflecting a company's approach to tax deferral (Hope et al., 2013). Lanis and Richardson (2012) applied CETR in their investigation of the relationship between corporate social responsibility and tax avoidance. However, the fluctuating nature of both AETR and CETR may not accurately represent strategies aimed at long-term tax avoidance (Salihu et al., 2013).

The cash effective tax rate (Cash ETR), on the other hand, assesses the actual cash taxes paid relative to pre-tax financial earnings. This measure accounts for specific tax considerations, like tax reserves, thus offering a more precise reflection of tax practices (Dyreng et al., 2008). The advantages of Cash ETR, such as its inclusion of benefits from employee stock options, are highlighted by Minnick and Noga (2010). Its application is evidenced in research by Chen et al. (2010), Kim et al. (2011), Armstrong et al. (2012), Hope et al. (2013), and Huseynov and Klamm (2012), leading to its inclusion in this study alongside cash effective tax rate (CashETR), AETR, and CETR as key metrics for evaluating tax avoidance strategies.

3.2.2 | Independent variable (CSR and national governance quality)

In this investigation, we utilized content analysis to gather CSR data, which aligned with the methodologies highlighted in existing CSR studies. The literature identifies two primary approaches to this analysis: evaluating textual segments related to a specific subject and applying a CSR index to measure disclosure intensity (Campbell, 2004; Gerged et al., 2018; Islam & Deegan, 2008). With the increasing adoption of CSR indices due to their capability to effectively assess various disclosure components, our research followed this method (Gerged et al., 2021; Gerged, Beddewela, et al., 2023).

TABLE 2 Overview of variables and their measurement methods.

Dependent variable: Measures of tax avoidance	
Cash effective tax rate (CashETR)	Defined as the ratio of cash taxes paid to pre-tax income, excluding special items, for a given firm in a specific year, capturing the firm's cash tax burden (Dyreng et al., 2017; Hoi et al., 2013; Rego & Wilson, 2012)
Accounting effective tax rate (AETR)	Calculated as total tax expense divided by pre-tax accounting income, it gauges the portion of accounting profits allocated to tax payments, serving as an indicator of tax avoidance in relation to accounting profits (Armstrong et al., 2012; Huseynov & Klamm, 2012)
Current effective tax rate (CETR)	Determined by dividing the current year's tax expense by pre-tax accounting income, reflecting firms' strategies for tax deferral by focusing on current income tax obligations versus total tax expenses (Hope et al., 2013)
Independent variable: Corporate social responsibility disclosure (CSR)	
CSR disclosure (CSR) Score	Obtained by adding up all disclosed CSR items and dividing by the total number of items (40), representing the extent of CSR disclosure.
environmental index (ENVI)	Calculated as the total of all disclosed environmental items divided by the number of environmental items within the checklist (10), this indicates the level of environmental transparency
Social index (SOCIAL)	The sum of all disclosed social items is divided by the total number of social items within the checklist (19), reflecting the degree of social responsibility disclosure
Ethics index (ETHICS)	The sum of all disclosed ethical items is divided by the total number of ethical items within the checklist (11), which measures the extent of ethical transparency
Measure of control variables	
Total assets (TA)	Used to represent firm size, including both current and non-current assets
Board size (BZ)	The total number of board directors, indicating board size
Independent directors (IND)	The proportion of independent non-executive directors, serving as a measure of board independence
Independent audit committee members (IND_ACMTE)	The percentage of independent directors on the audit committee, indicating its independence
Audit committee size (ACMTEZ)	The number of audit committee members, used as a proxy for its size
Tobin's Q (TBQ)	Calculated as the sum of total assets minus book value of equity plus market value of equity, divided by total assets, indicating the firm's market valuation relative to its assets
Debt-to-assets ratio (DOA)	The proportion of debts to total assets, used as a measure of leverage
Gross domestic product per capita (GDP)	The natural logarithm of GDP per capita, reflecting the economic status of the country
World governance indicators score (CLG)	Represents an average of various governance dimensions including government effectiveness, control of corruption, regulatory quality, voice and accountability, rule of law, and political stability and absence of violence/terrorism

To quantify the CSR information disclosed, we chose a non-weighted CSR index. This approach minimizes the subjective judgment often involved in determining the significance of each disclosure item, as opposed to methods that employ a weighted index (Ahmed & Courtis, 1999; Cooke, 1992; Ntim, 2016). Our selected CSR index involves three subdivisions: ethical, social, and environmental disclosures. These categories were developed based on an extensive review of CSR practices in both developed and emerging markets and subsequently refined to reflect the core themes of the global reporting initiative (GRI) and ISO 26000 on CSR (Aggarwal et al., 2011; GRI, 2011; Haniffa & Cooke, 2005). A pilot study conducted with a group of SSA companies between 2012 and 2016 helped tailor the CSR items to the SSA context, focusing on stakeholder inclusivity and materiality. In our methodology, a CSR item was assigned a score of 1 if disclosed, and 0 otherwise. The overall CSR score was determined by the formula:

$$\text{Total CSR score} = \frac{\sum_{i=1}^n \text{CSR}_i}{n}$$

We verified the reliability of our CSR index through procedures established in prior research (Beattie & Thomson, 2007; Hooks & van Staden, 2011; Ntim, 2016), which included the use of multiple analysts to ensure consistency, and the application of Cronbach's alpha (α) to test data reliability. With an α value of 0.77, the reliability of our CSR index was deemed satisfactory. Moreover, the dimensions of our CSR index were firmly grounded in pertinent CSR scholarly works and international frameworks, including the GRI and ISO 26000, reinforcing the index's reliability and validity.

In addition, we evaluated the quality of national governance (institutional quality) using the World Governance Indicators (WGI), reflecting coercive pressures. This assessment integrates six indicators, based on data from the World Bank's, 2021 report (Uyar et al., 2021), offering a comprehensive view of governance quality.

3.2.3 | Control variables

Consistent with the findings of prior investigations (Barnea & Rubin, 2010; Col & Patel, 2019; Kovermann & Velte, 2019; Rubin, 2008; Watson, 2015), our analysis incorporates adjustments for critical characteristics of firms and their boards. In particular, our study acknowledges that larger enterprises, recognized for their significant political influence and strong economic achievements, are more vulnerable to engaging in tax reduction strategies (Lanis & Richardson, 2012) and are likely to allocate more resources to CSR initiatives due to heightened public attention (Col & Patel, 2019). To quantify these aspects, we employ the natural logarithm of total assets to measure firm size and Tobin's Q to evaluate firms' market value. Our analysis also reflects that firms with elevated leverage ratios show a diminished propensity for CSR disclosures and a higher tendency for tax reduction practices (Col & Patel, 2019; Gupta & Newberry, 1997), for which we control by using the ratio of total debt to total assets.

Furthermore, the composition and independence of boards are influential factors for both CSR disclosure and corporate tax strategies (Kovermann & Velte, 2019). We find that boards that are larger in size and possess greater independence are inversely related to tax reduction activities and positively correlated with CSR involvement (Endrikat et al., 2021; Lanis & Richardson, 2012). Hence, our controls include the size of the board and the percentage of independent directors. Additionally, the structure and independence of the audit committee play a crucial role in CSR strategies and tax oversight (Kovermann & Velte, 2019; Shaukat et al., 2016), leading us to include measures for audit committee size and the proportion of its independent members.

To account for the influence of economic expansion on CSR orientation and attitudes toward tax avoidance, we control for the gross domestic product (GDP) at the country level (Jiang et al., 2022). Our research also accommodates the variable of national governance quality as a means of accounting for differences in institutional quality across countries in Sub-Saharan Africa (World Bank, 2017), ensuring a comprehensive analysis of the factors that impact CSR disclosure and tax avoidance behaviors.

3.3 | Model specification

Expanding upon the foundational work of Powell (2022), our investigation utilizes the panel quantile regression (PQR) technique to explore the potential impact of CSR on the practice of tax avoidance within the SSA domain. Additionally, our research examines the role national governance quality may play in moderating this link. In contrast to the traditional least squares regression methods, which primarily analyze the conditional mean of the dependent variable, PQR focuses on its conditional median, presenting a nuanced approach (Baum, 2013; Gerged, Tran, et al., 2023). Opting for a PQR model rather than standard least squares techniques, such as ordinary least squares (OLS), is grounded in two

main advantages: the robustness of PQR to outliers and its semiparametric nature, which alleviates the need for rigid assumptions about the error distribution's parametric nature (Cobb-Clark et al., 2016). Herein, we outline the specific model employed in our study.

$$TA_{it} = \alpha_0 + \beta_1 CSR_{it} + \beta_2 CSR * CLG_{it} + \sum_{i=1}^n \beta_i CONTROLS_{it} + \varepsilon_{i,t}$$

In our model, the variable TA represents various metrics of tax avoidance, specifically, cash effective tax rate (CashAETR), AETR, and CETR. The corporate social responsibility disclosure (CSR) is quantified using an unweighted index of disclosures. To account for variables at the firm level, we include the size of the firm (TA), the ratio of debt to total assets (DOA), Tobin's Q (TBQ), the board size (BZ), the board of directors' independence (IND), the size of the audit committee (ACMTEZ), and the independence of the audit committee (IND_ACMTE). Furthermore, at the country level, we adjust for governance (CLG) and the gross domestic product per capita (GDP) to ensure a comprehensive analysis (Alhaddad et al., 2021, 2022; Gerged, Kuzey, et al., 2023; Uyar et al., 2023, 2024).

4 | EMPIRICAL ANALYSES

4.1 | Univariate statistics

Table 3 offers a detailed evaluation of the research variables, providing key statistical insights such as the average, standard deviation, minimum, and maximum values.

TABLE 3 Descriptive statistics.

Variable	Obs	Mean	Std. dev.	Min	Max
CashETR	600	21.513	21.34	-13.254	73.288
AETR	600	24.852	30.846	-25.14	115.618
CETR	600	22.401	1.747	-6.42	74.75
CSR	600	.522	.247	.025	.975
ETHICS	600	.613	.271	0	1
SOCIAL	600	.511	.222	0	.947
ENVI	600	.462	.397	0	1
CLG	600	43.15	22.64	15.33	60.62
Log.TA	600	5.232	2.329	-4.25	11.93
TBQ	600	1.843	1.122	0	8.836
DOA	600	18.157	14.52	0	78.464
BZ	600	8.218	5.962	0	21
IND	600	57.685	18.089	0	100
WOB	600	19.331	11.656	0	83.313
IND ACMTE	600	90.365	27.313	0	100
ACMTEZ	600	3.455	1.252	0	7
Log. GDP	600	11.737	1.224	9.58	13.25

Note: Research variables are defined in Table 2.

The range of the overall CSRD index score varies from a low of 2.5% to a high of 97.5%, with an average score of 52.2%. This average is in line with the results found by Ntim (2016), who used a similar index to assess CSRD in the SSA region and reported an average CSRD score of 55.63% (Ntim, 2016). When comparing the data from Table 3 with that of developed countries, it becomes evident that CSRD is somewhat less common in the SSA region. For example, an analysis across various sectors in the United States indicated a CSRD figure of 81.8% in 2009 (Matisoff et al., 2013), while the United Kingdom noted a 64% rate of CSRD among evaluated entities (Barbu et al., 2014). Furthermore, this study finds the average figures for tax avoidance proxies, including CashETR, AETR, and CETR, to be 21.51%, 24.85%, and 22.40%, respectively. These numbers are comparable to those found by Abdelfattah and Aboud (2020), who observed an average AETR of 27% in Egypt, a country in North Africa with similar institutional frameworks to those in SSA. Additionally, the data indicate that the scores for WGI in the SSA countries studied range from 15.33 to 60.62, with an average of 43.15. This suggests that the quality of national governance in these countries has been improving over the period from 2012 to 2016. Such findings reflect those of Elamer et al. (2020), who reported an average governance quality of 48% across 13 countries in the Middle East and North Africa (MENA), a region that shares institutional characteristics with the SSA (Elamer et al., 2020).

4.2 | Bivariate analyses

Table 4 presents an analysis of the interrelationships among the variables under investigation, revealing the correlation coefficients obtained via Pearson's parametric correlation technique.

TABLE 4 Matrix of correlations.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(13)	(14)	(15)	(16)	(17)	(18)
(1) CashETR	1.000																
(2) AETR	.622*	1.000															
(3) CETR	.516*	.788*	1.000														
(4) CSRD	.275*	.186*	.180*	1.000													
(5) ETHICS	.331*	.237*	.189*	.863*	1.000												
(6) SOCIAL	.245*	.158	.173*	.882*	.712*	1.000											
(7) ENVI	.204*	.132*	.151*	.864*	.666*	.644*	1.000										
(8) CLG	.059*	.102*	.052	.131*	.124*	.027*	.303*	1.000									
(9) TA	.128*	.112	.218	.559*	.464*	.536*	.541*	.158*	1.000								
(10) TBQ	.004*	.042	.001	.057*	-.090	.076*	-.009	.015*	.033*	1.000							
(11) DOA	.031*	.052*	.012	.139*	.158*	.151*	.065*	.067*	.009*	.150*	1.000						
(13) BZ	.224	.181*	.141*	.072*	.146*	.043	.012*	.067*	.036	.039*	.048*	1.000					
(14) IND	.174*	.156*	.139*	.106*	.173*	.009	.118*	.109*	.082*	.044*	.092*	.228*	1.000				
(15) WOB	.180	.209	.174*	.157*	.228*	.113*	.092*	.140*	.115*	.025*	.010*	.219*	.340*	1.000			
(16) IND_ACMTE	.161*	.160*	.160*	.064*	.127*	.003*	.042*	.007*	-.006	.014	.072*	.379*	.532*	.261*	1.000		
(17) ACMTEZ	.182*	.196*	.201*	.168*	.227*	.122*	.097*	.017*	.077	.068*	.041*	.393*	.382*	.217*	.624*	1.000	
(18) GDP	.187*	.213*	.264*	.286	.226*	.388*	.168*	-.332	.186*	.069*	.079*	.059	.047*	.090*	-.024	.129*	1.000

Note: Research variables are defined in Table 2.

*Signifies the correlation significance level at .05.

The application of Pearson's correlation in this study suggests that deviations from the normal distribution in the residuals are probably insignificant, aligning with conclusions drawn in earlier studies (Cho et al., 2014; Cormier et al., 2011; Lu & Abeysekera, 2014). Importantly, the magnitude and direction of the Pearson correlation coefficients indicate that any potential departures from normality are unlikely to pose significant statistical problems.

4.3 | Panel quantile regression analyses (baseline results)

Our study posits that organizations with notable CSRD exhibit a reduced propensity for engaging in tax avoidance within the SSA region. This hypothesis is supported by our research outcomes, indicating that CSRD serves as an impediment to tax avoidance activities in SSA. Analysis of the correlation matrix, specifically detailed in Table 4, reveals a significant and positive relationship between the CSRD index score and tax avoidance metrics, including CashETR, AETR, and CETR, suggesting that strong CSRD practices are linked to higher corporate tax payments, thereby diminishing tax avoidance (Hoi et al., 2013).

Employing the panel quantile regression (PQR) methodology recommended by Powell (2022), and accounting for various characteristics at the firm, board, and national levels, we observed that the negative association between CSRD and tax avoidance remains consistent (as illustrated in Tables 5–7). For example, the PQR analysis depicted in Table 5 illustrates a consistent positive association between CSRD and the CashETR measure of tax avoidance across quantiles from 10% to 95%, particularly significant at the 1% level. This result underlines a direct link between CSRD engagement and

TABLE 5 A panel quantile regression of the association between CSRD and tax avoidance as proxied by cash effective tax rate.

	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90	0.95
Quantiles	CashETR	CashETR	CashETR	CashETR	CashETR	CashETR	CashETR	CashETR	CashETR	CashETR
CSRD	6.016*** (1.02)	12.522*** (1.298)	18.043*** (1.734)	19.298*** (2.307)	32.817*** (.774)	15.44*** (1.774)	11.582*** (.908)	11.051*** (1.701)	13.13*** (1.533)	26.887*** (3.681)
CLG	.145*** (.04)	.273*** (.012)	.275*** (.017)	.094** (.038)	.000 (.02)	-.169*** (.015)	-.277*** (.013)	-.203*** (.052)	-.389*** (.023)	-1.065*** (.09)
CSRD*CLG	.157*** (.027)	.112*** (.017)	.043** (.018)	.098*** (.033)	.008 (.018)	.283*** (.028)	.397*** (.017)	.256*** (.083)	.376*** (.022)	1.245*** (.085)
TA	.015 (.05)	.785*** (.079)	.036 (.108)	.397* (.237)	.326*** (.109)	1.356*** (.084)	.265*** (.066)	.69*** (.194)	1.171*** (.069)	.69*** (.149)
TBQ	.5*** (.147)	.182 (.148)	1.408*** (.091)	1.239*** (.412)	.305*** (.114)	1.686*** (.32)	.264*** (.088)	1.501** (.686)	1.232** (.154)	1.19*** (.414)
DOA	-.166*** (.015)	-.102*** (.008)	-.106*** (.007)	-.073* (.041)	-.201*** (.016)	-.132*** (.013)	-.232*** (.008)	-.307*** (.03)	-.179*** (.012)	.197*** (.043)
BZ	.487*** (.036)	.362*** (.015)	.452*** (.026)	.27*** (.046)	.256*** (.041)	.023 (.05)	.236*** (.02)	.592*** (.098)	1.394*** (.035)	1.324*** (.104)
IND	.206*** (.013)	.105*** (.013)	.067*** (.014)	.147*** (.052)	.065*** (.01)	.196*** (.021)	.131*** (.011)	.071*** (.022)	.023*** (.008)	.245*** (.031)
WOB	.016 (.01)	.163*** (.012)	.183*** (.01)	.189*** (.056)	.102*** (.022)	.104*** (.011)	.184*** (.013)	.229*** (.068)	.23*** (.014)	.015 (.045)
IND_ACMTE	.053*** (.003)	.012 (.009)	-.017 (.012)	-.056*** (.014)	.002 (.005)	-.085*** (.004)	.017*** (.005)	.002 (.014)	.006 (.01)	.042*** (.009)
ACMTEZ	-.295*** (.104)	.061 (.147)	-.201* (.108)	.687 (.472)	.078 (.184)	1.237*** (.23)	-.158* (.081)	1.019* (.567)	.196 (.137)	1.434* (.85)
GDP	6.208*** (.199)	5.183*** (.139)	4.594*** (.307)	3.17*** (.653)	.844*** (.106)	3.163*** (.469)	1.427*** (.078)	1.761*** (.211)	.614*** (.078)	-1.406*** (.336)
Obs	600	600	600	600	600	600	600	600	600	600

Note: Research variables are defined in Table 2. In estimating this quantile regression, we examine the CSR–tax avoidance nexus at 10 quantiles from 10% to 95%. Standard errors are in parenthesis.

*** $p < .01$; ** $p < .05$; * $p < .1$.

tax contributions, affirming the negative correlation with tax avoidance efforts. Similar trends in Tables 6 and 7 confirm a statistically significant negative relationship between CSRD and tax avoidance across various quantiles (10%–95%), predominantly significant at the 1% level (Refer to columns 1 to 10 in Tables 6 and 7), supporting the acceptance of hypothesis H1.

Our findings are in line with existing literature, especially from developed countries, which has also recognized a negative correlation between CSR/CSRD and tax avoidance behaviors (Lanis & Richardson, 2015; Watson, 2015). Drawing on legitimacy theory, we argue that corporations emphasizing CSRD perceive tax avoidance as a severe breach of their social contract, potentially damaging their reputation with key stakeholders and endangering their sustainability (Donaldson & Dunfee, 1994). Hence, firms committed to ethical CSRD practices are less likely to engage in irresponsible tax avoidance, thereby preserving their reputational integrity (Col & Patel, 2019).

Furthermore, Tables 5–7 elaborate on how the quality of national governance moderates the CSRD–tax avoidance relationship within the SSA context. Our data compellingly suggests that SSA countries'

governance quality significantly impacts the CSRD–tax avoidance nexus. This is evidenced by the positive and significant association—predominantly at the 1% significance level—between the interaction of CSRD and country-level governance (CSRD*CLG) with tax avoidance metrics across various quantiles (10%–95%), as shown in columns 1–10 in Tables 5–7, thereby lending support to our second hypothesis (H2).

From a neo-institutional theoretical perspective, we argue that exemplary public governance incentivizes firms, through regulatory frameworks, to adhere to CSRD standards (Barakat & Hussainey, 2013; Gerged, Beddewela, et al., 2023) and reduce tax avoidance practices (Nikiema & Zahonogo, 2017). Our study period marked an improvement in governance quality across the SSA nations under review, indicating that advancements in governance may alter corporate perspectives toward tax payments, reflecting an increase in institutional credibility (Nikiema & Zahonogo, 2017). As trust in SSA governments' capacity to enhance public services has grown (Sikka, 2010), improved governance standards could further motivate companies to strengthen their CSRD commitments and reduce tax avoidance behaviors in the region.

TABLE 6 A panel quantile regression of the association between CSR and tax avoidance as proxied by accounting effective tax rate.

	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90	0.95
Quantiles	AETR	AETR	AETR	AETR	AETR	AETR	AETR	AETR	AETR	AETR
CSRD	8.482*** (2.52)	3.061** (1.252)	7.209*** (1.952)	2.281*** (.818)	11.944*** (.564)	12.583*** (1.115)	23.31*** (.802)	18.253*** (1.081)	44.432*** (1.364)	16.074*** (1.831)
CLG	.225*** (.027)	.245*** (.048)	.212*** (.013)	−.065*** (.012)	−.061*** (.009)	−.117*** (.016)	−.113*** (.009)	−.335*** (.048)	−.574*** (.013)	−.744*** (.02)
CSRD*CLG	.031 (.064)	.162*** (.047)	.100*** (.015)	.113*** (.01)	.151*** (.018)	.137*** (.023)	.245*** (.016)	.095** (.045)	.106*** (.015)	.307*** (.028)
TA	1.087*** (.177)	1.992*** (.049)	2.764*** (.31)	1.391*** (.042)	.372*** (.045)	.3** (.123)	.083 (.093)	.181*** (.07)	1.411*** (.193)	1.922*** (.112)
TBQ	2.156*** (.216)	3.058*** (.284)	2.916*** (.102)	.847*** (.079)	.701*** (.082)	.305* (.173)	.178 (.118)	.295* (.162)	3.276*** (.582)	1.729*** (.194)
DOA	−.008 (.03)	−.029*** (.009)	−.117*** (.031)	−.106*** (.011)	−.042*** (.003)	−.052*** (.007)	−.003 (.011)	−.034*** (.013)	−.349*** (.023)	.78*** (.016)
BZ	.565*** (.097)	.372*** (.03)	.668*** (.129)	.432*** (.03)	.313*** (.016)	.494*** (.049)	.394*** (.05)	.399*** (.059)	.158*** (.026)	.291*** (.032)
IND	−.05* (.03)	−.072*** (.005)	−.071*** (.012)	−.01 (.013)	.149*** (.005)	.1*** (.008)	.08*** (.009)	.16*** (.013)	.134*** (.018)	.025 (.02)
WOB	−.051 (.038)	.115*** (.013)	.055 (.044)	−.051** (.021)	.103*** (.007)	.097*** (.011)	.199*** (.032)	.316*** (.027)	1.226*** (.03)	1.385*** (.021)
IND_ACMTE	.205*** (.008)	.14*** (.005)	.118*** (.009)	.14*** (.005)	.058*** (.003)	.074*** (.01)	.079*** (.004)	.023** (.009)	−.212*** (.008)	−.272*** (.006)
ACMTEZ	−1.769*** (.449)	−.716*** (.216)	−1.526*** (.289)	−.664*** (.18)	−.386*** (.071)	−.289*** (.085)	−.086 (.173)	.829*** (.183)	8.869*** (.175)	12.156*** (.139)
GDP	4.828*** (.311)	4.318*** (.212)	2.742*** (.465)	4.408*** (.226)	4.764*** (.038)	3.41*** (.146)	4.221*** (.142)	4*** (.245)	1.168*** (.18)	3.128*** (.136)
Obs	600	600	600	600	600	600	600	600	600	600

Note: Research variables are defined in Table 2. In estimating this quantile regression, we examine the CSR–tax avoidance nexus at 10 quantiles from 10% to 95%. Standard errors are in parenthesis.

*** $p < .01$; ** $p < .05$; * $p < .1$.

4.4 | Robustness checks

We conducted a series of analyses to verify the persistence of our primary analysis outcomes across various robustness tests. This involved employing an alternate sample estimator, introducing different sub-proxies for CSRD, and addressing potential endogeneity issues that might have affected our conclusions.

4.4.1 | Alternative sample

Table 1 indicates that 25% of our sample, or 30 firms (yielding 150 firm-year observations from 2012 to 2016), are South African entities. Notably, the robust institutional and governance frameworks of South Africa, as underscored by the King III (2012) and King IV (2016) reports, prompted us to probe the potential impact of this unique setting on our preliminary findings. In response, we crafted a bifurcated analysis: one subsample with 150 firm-year observations

solely from South African firms and another with 450 firm-year observations that exclude South African firms.

Our findings, illustrated in Table 8, indicate that the outcomes from the South African-centric sample align closely with those in Tables 5–7. Similarly, Table 9's results pertaining to the subsample without South African firms largely mirror our foundational analysis, confirming that CSRD's association with tax avoidance proxies remains consistent and is moderated by the national governance quality across the selected SSA countries. This demonstrates that the distinct institutional features of South Africa did not singularly steer our foundational results.

4.4.2 | Alternative independent variables

The CSRD index we designed includes three core segments: ethical disclosure (ETHIC), social disclosure (SOCIAL), and environmental disclosure (ENVI). This led us to probe if a specific CSRD dimension

TABLE 7 A panel quantile regression of the association between CSR and tax avoidance as proxied by the current effective tax rate.

	0.10	0.20	0.30	0.40	0.50	0.60	0.70	0.80	0.90	0.95
Quantiles	CETR	CETR	CETR	CETR	CETR	CETR	CETR	CETR	CETR	CETR
CSRD	.122 (.224)	.997*** (.633)	.736*** (.187)	.739*** (.247)	.216** (.096)	.856*** (.034)	.558*** (.159)	.052** (.022)	.592*** (.07)	.335*** (.041)
CLG	.026*** (.002)	.031*** (.005)	.014*** (.002)	.005*** (.001)	.021*** (.001)	.007*** (.001)	.008*** (.002)	.016*** (.001)	.011*** (.001)	.015*** (.001)
CSRD*CLG	.005** (.002)	.027** (.011)	.014*** (.003)	.003* (.001)	.008*** (.002)	.006*** (.001)	.002 (.003)	.01*** (.001)	.02*** (.001)	.009*** (.001)
TA	.116*** (.014)	.189*** (.012)	.086*** (.011)	.138*** (.003)	.058*** (.005)	.022*** (.003)	.009** (.004)	.005*** (.002)	-.001 (.005)	-.06*** (.004)
TBQ	.068*** (.011)	.166*** (.013)	.174*** (.025)	.164*** (.016)	.032*** (.007)	.014*** (.009)	.01*** (.016)	.601*** (.002)	.012*** (.01)	.008** (.004)
DOA	-.007*** (.001)	-.006*** (.002)	-.008*** (.001)	-.01*** (.003)	-.008*** (.001)	-.002*** (.000)	-.005*** (.001)	-.001* (.000)	.001*** (.001)	.012*** (.001)
BZ	.015*** (.003)	.013*** (.003)	.028*** (.003)	.026*** (.003)	.022*** (.003)	.023*** (.001)	.008*** (.003)	.015*** (.001)	.013*** (.002)	.003 (.004)
IND	.014*** (.001)	.004** (.002)	.01*** (.002)	.004*** (.001)	.006*** (.001)	.004*** (.001)	.003* (.001)	.004*** (.000)	.005*** (.001)	.003*** (.001)
WOB	.012*** (.002)	.015*** (.002)	.02*** (.002)	.011*** (.001)	.007*** (.001)	.002*** (.000)	.01*** (.001)	.01*** (0)	.014*** (.001)	.022*** (.001)
IND_ACMTE	.002 (.002)	.000 (.000)	.002*** (.001)	.009*** (.001)	.01*** (.000)	.006*** (.000)	.002** (.001)	.001** (.000)	-.005*** (.000)	.000 (.001)
ACMTEZ	.058 (.046)	.128*** (.027)	-.178*** (.025)	-.012 (.024)	-.057*** (.019)	-.049*** (.009)	.006 (.009)	.027*** (.005)	.149*** (.011)	.059*** (.013)
GDP	.519*** (.02)	.464*** (.018)	.654*** (.02)	.518*** (.031)	.265*** (.011)	.17*** (.004)	.165*** (.004)	.109*** (.005)	.087*** (.005)	.029*** (.004)
Obs	599	599	599	599	599	599	599	599	599	599

Note: Research variables are defined in Table 2. In estimating this quantile regression, we examine the CSR–tax avoidance nexus at 10 quantiles from 10% to 95%. Standard errors are in parenthesis.

*** $p < .01$; ** $p < .05$; * $p < .1$.

predominantly influenced the results depicted in Tables 5–7. Table 10 confirms that all three CSRD categories have a consistent impact on tax avoidance (and tax payments), with this relationship being moderated by the quality of national governance. This further corroborates the robustness of our primary outcomes when considering alternative CSRD metrics.

4.4.3 | Endogeneity check

Lastly, to address potential endogeneity issues, we adopted the approach of lagged variables testing in accordance with Li (2016). As illustrated in Table 11, even when using a lagged effect analytical model, CSRD remains a significant determinant of tax avoidance proxies. Furthermore, this relationship's moderation by national governance quality in the SSA region is reaffirmed. This underscores the robustness of our primary findings with respect to potential endogeneity concerns.

5 | CONCLUSION

This study aimed to explore the relationship between CSRD and tax avoidance practices, particularly focusing on their interplay within the SSA region. Specifically, our research aimed to determine if organizations that adhere to responsible practices also avoid engaging in irresponsible activities, such as tax avoidance. Our investigation reveals that companies in SSA, in line with growing CSRD trends, demonstrate responsible tax behavior. This suggests that businesses employ CSRD alongside tax contributions as strategies to seek legitimacy and secure their sustainability in the area. Furthermore, our analysis reveals that national governance metrics, which reflect the quality of institutional frameworks (Ioannou & Serafeim, 2012), moderate the CSRD–tax avoidance relationship within the SSA context, offering new insights into institutional influences on this nexus.

From a theoretical standpoint, our findings contribute to debates on corporate legitimacy-seeking actions (Sonpar et al., 2009), evidencing that firms in SSA leverage CSRD and ethical tax practices

TABLE 8 A panel quantile regression of the association between CSR and tax avoidance using a sample of South African firms.

	0.25	0.50	0.75	0.95	0.25	0.50	0.75	0.95	0.25	0.50	0.75	0.95
Quantiles	CashETR	CashETR	CashETR	CashETR	AETR	AETR	AETR	AETR	CETR	CETR	CETR	CETR
CSRD	21.66*** (.997)	29.618*** (6.84)	13.263*** (1.229)	1512.857 (2130.709)	14.009*** (2.623)	10.588*** (1.664)	35.754*** (1.43)	7.895*** (2.422)	2.285*** (.214)	4.082*** (.167)	.421*** (.006)	1.956*** (1.65)
CLG	4.395*** (.121)	3.188*** (.361)	.951*** (.187)	55.426 (79.958)	1.992*** (.175)	1.766*** (.078)	.116** (.053)	2.475*** (.166)	.394*** (.018)	.19*** (.014)	.023*** (.000)	.058 (.091)
CSRD*CLG	.413*** (.035)	.512*** (.162)	.695*** (.042)	166.03 (235.094)	.239 (.159)	.627*** (.034)	.163*** (.044)	2.724*** (.272)	.02** (.008)	.042*** (.006)	.015*** (.000)	.008 (.038)
TA	.362*** (.071)	2.083*** (.569)	.096 (.133)	522.029 (740.659)	2.357*** (.295)	2.073*** (.246)	.757*** (.086)	2.605*** (.463)	.653*** (.02)	.053*** (.018)	.019*** (.001)	.024 (.244)
TBQ	2.32*** (.079)	1.371*** (.354)	1.395*** (.168)	188.737 (264.664)	1.881*** (.42)	2.76*** (.071)	2.438*** (.08)	2.57*** (.18)	.17*** (.015)	.18*** (.02)	.087*** (.000)	.002 (.135)
DOA	-.031** (.013)	-.078 (.054)	-.245*** (.018)	-2.658 (3.293)	-.182*** (.012)	-.126*** (.006)	.136*** (.008)	.949*** (.043)	-.015*** (.002)	-.021*** (.002)	.005*** (.000)	.03*** (.008)
BZ	.594*** (.054)	.602*** (.092)	.377*** (.024)	-86.093 (124.923)	1.552*** (.05)	1.151*** (.029)	.978*** (.032)	-.077 (.062)	.101*** (.004)	.102*** (.005)	.026*** (.000)	-.029 (.035)
IND	.139*** (.013)	-.115 (.072)	.045*** (.004)	11.871 (16.696)	.008 (.01)	.002 (.009)	.062*** (.009)	1.517*** (.044)	.004*** (.001)	.01*** (.001)	.002*** (.000)	.01 (.02)
WOB	.343*** (.011)	.283*** (.074)	.389*** (.006)	-21.029 (30.49)	.192*** (.02)	.373*** (.011)	.128*** (.012)	1.452*** (.029)	.018*** (.004)	.032*** (.001)	.005*** (.000)	.041*** (.013)
IND_ACMTE	.022*** (.004)	.051** (.02)	.133*** (.015)	10.768 (15.581)	.061 (.039)	.097*** (.004)	.009 (.007)	.196*** (.027)	.013*** (.001)	.000 (.001)	.004*** (.000)	.01** (.004)
ACMTEZ	.822*** (.092)	3.001*** (.696)	5.864*** (.123)	161.835 (241.442)	.282 (.379)	1.156*** (.211)	.618*** (.139)	.316 (.638)	.439*** (.028)	.189*** (.019)	-.059*** (.001)	-.191 (.267)
GDP	25.163*** (.977)	12.977*** (2.386)	9.572*** (.956)	68.857 (89.085)	11.89*** (.661)	20.944*** (.397)	8.565*** (.39)	36.94*** (.684)	2.516*** (.106)	1.489*** (.088)	.514*** (.002)	-.324 (.629)
Obs	150	150	150	150	150	150	150	150	150	150	150	150

Note: Research variables are defined in Table 2. In estimating this quantile regression, we examine the CSR–tax avoidance nexus at four quantiles from 25% to 95%. Standard errors are in parenthesis.

*** $p < .01$; ** $p < .05$; * $p < .1$.

TABLE 9 A panel quantile regression of the association between CSR and tax avoidance using a sample of Non-South African firms.

Quantiles	0.25	0.50	0.75	0.95	0.25	0.50	0.75	0.95	0.25	0.50	0.75	0.95
	CashETR	CashETR	CashETR	CashETR	AETR	AETR	AETR	AETR	CETR	CETR	CETR	CETR
CSRD	7.201*** (1.142)	12.427*** (1.065)	8.082*** (5.636)	3.401* (1.801)	7.058*** (1.854)	18.335*** (1.465)	10.285*** (3.345)	28.629*** (.303)	1.175*** (.095)	.193* (.167)	.276*** (.039)	.375 (.233)
CLG	.086*** (.028)	-.161*** (.048)	-.075 (.059)	-.583*** (.048)	.178*** (.018)	-.494*** (.019)	-.436*** (.046)	-1.457*** (.008)	.019*** (.005)	-.011*** (.002)	-.017*** (.001)	-.029*** (.002)
CSRD*CLG	.289*** (.039)	.398*** (.077)	.182** (.089)	.489*** (.05)	.052 (.038)	.568*** (.025)	.078 (.086)	.83*** (.009)	.015*** (.006)	.011*** (.003)	.003** (.001)	.015*** (.004)
TA	.628*** (.142)	.849*** (.11)	.178 (.202)	.344* (.168)	2.108*** (.067)	.558*** (.04)	-.066 (.283)	2.945*** (.027)	.113*** (.01)	.061*** (.005)	.017*** (.002)	.029*** (.007)
TBQ	.997*** (.123)	.808*** (.238)	1.847*** (.373)	4.139*** (.29)	-.29*** (.109)	-.013*** (.118)	.209 (.502)	5.855*** (.078)	.088 (.068)	.114*** (.027)	.012* (.007)	.152*** (.016)
DOA	-.052*** (.011)	-.083 (.056)	-.055* (.033)	.129*** (.032)	.095*** (.016)	-.187*** (.021)	-.035 (.063)	.479*** (.006)	.01*** (.002)	-.001** (.001)	-.003** (.001)	-.001 (.001)
BZ	.163** (.079)	.072** (.03)	.276*** (.105)	1.278*** (.107)	.4*** (.025)	.179*** (.034)	.127 (.127)	.125*** (.01)	.001 (.005)	.009* (.005)	.004*** (.001)	.017** (.007)
IND	.155*** (.009)	.211*** (.023)	.063 (.05)	.176*** (.032)	-.026*** (.008)	.062*** (.006)	.15** (.063)	.266*** (.005)	.003*** (.001)	.009*** (.002)	.005*** (0)	.01*** (.001)
WOB	.111*** (.021)	.013 (.046)	.137*** (.029)	.055 (.047)	.065*** (.008)	.154*** (.009)	.32*** (.024)	1.064*** (.009)	.021*** (.004)	-.006** (.002)	.008*** (.001)	.013*** (.001)
IND_ACMTE	.006 (.009)	-.039*** (.014)	.043* (.026)	.207*** (.01)	.128*** (.006)	.034*** (.007)	.023 (.022)	-.257*** (.003)	.002*** (.001)	.009*** (.002)	.001*** (.001)	-.002** (.001)
ACMTEZ	.164 (.299)	1.951*** (.547)	.822** (.411)	-3.796*** (.539)	-.657*** (.056)	-.839*** (.213)	1.388*** (.339)	7.041*** (.06)	.062*** (.017)	-.079*** (.022)	.048*** (.009)	.165*** (.021)
GDP	6.497*** (.143)	2.975*** (.305)	3.433*** (.22)	-1.048* (.547)	5.783*** (.273)	4.489*** (.182)	4.348*** (.307)	3.503*** (.115)	.879*** (.043)	.312*** (.035)	.141*** (.005)	.134*** (.019)
Obs	450	450	450	450	450	450	450	450	450	450	450	450

Note: Research variables are defined in Table 2. In estimating this quantile regression, we examine the CSR–tax avoidance nexus at four quantiles from 25% to 95%. Standard errors are in parenthesis.

*** $p < .01$; ** $p < .05$; * $p < .1$.

TABLE 10 A quantile regression of the relationship between CSRD dimensions (i.e., ethical, social and environmental scores) and tax avoidance proxies.

Quantiles	0.75 CashETR	0.75 CashETR	0.75 CashETR	0.75 AETR	0.75 AETR	0.75 AETR	0.75 CETR	0.75 CETR	0.75 CETR
ETHICS	31.098*** (.922)	–	–	11.217*** (.885)	–	–	.5*** (.019)	–	–
SOCIAL		24.173*** (2.209)	–	–	14.465*** (3.485)	–	–	.108*** (.037)	–
ENVI	–	–	2.62 (2.045)	–	–	5.426*** (.524)	–	–	.176*** (.03)
CLG	.018 (.017)	.046 (.037)	.036 (.022)	.269*** (.01)	.295*** (.013)	.333*** (.013)	.011*** (.001)	.009*** (.000)	.01*** (.000)
TA	.861*** (.305)	.029 (.127)	1.145** (.546)	.569*** (.103)	.33 (.313)	.383*** (.109)	.01* (.006)	.01*** (.003)	.022*** (.008)
TBQ	.157 (.322)	1.7*** (.533)	.288 (.201)	.166 (.136)	.269** (.129)	.361* (.198)	.02* (.01)	.02*** (.002)	.023 (.019)
DOA	–.228*** (.022)	–.091** (.045)	.056 (.11)	.036*** (.011)	.046*** (.016)	.053* (.03)	.001 (.001)	–.001* (.000)	.000 (.001)
BZ	.47** (.211)	.206*** (.073)	.345** (.148)	.198*** (.044)	.249*** (.028)	.307*** (.041)	.001 (.005)	.005** (.002)	–.003 (.007)
IND	.102*** (.02)	.17*** (.024)	.196*** (.066)	.126*** (.011)	.228*** (.034)	–.007 (.018)	–.002 (.003)	.002*** (.000)	.002 (.001)
WOB	.207*** (.043)	.19*** (.031)	.165*** (.044)	.164*** (.014)	.119*** (.01)	.118*** (.015)	.003** (.001)	.002*** (.001)	.003 (.002)
IND_ACMTE	–.042* (.023)	.097*** (.021)	.05 (.035)	.033** (.013)	.014 (.023)	.074*** (.017)	.003*** (.001)	.002*** (.000)	.000 (.001)
ACMTEZ	.429 (.265)	2.462*** (.718)	1.528 (1.131)	.219 (.242)	.276 (.238)	.4 (.283)	.018 (.012)	.037*** (.004)	.056 (.037)
GDP	1.406*** (.141)	2.296*** (.191)	4.452*** (.965)	4.01*** (.122)	3.305*** (.351)	4.306*** (.071)	.147*** (.008)	.17*** (.006)	.11*** (.011)
Obs	600	600	600	600	600	600	600	600	600

Note: Research variables are defined in Table 2. In this Table, we run the regression at 75% quantile only. Standard errors are in parenthesis.
*** $p < .01$; ** $p < .05$; * $p < .1$.

to gain approval from key stakeholders. Additionally, our results reinforce the neo-institutional theory perspective that highlights the impact of regulatory pressures (Deephouse & Suchman, 2008) in coercively (Di Maggio & Powell, 1983) deterring tax avoidance, rather than merely promoting CSRD for better tax behavior.

On a practical and societal level, our research emphasizes the significance of stringent tax administration for effective tax policy implementation. We observe that CSRD-committed firms in SSA are more compliant with tax obligations, acknowledging the critical role of tax policies in economic regulation and as vital government revenue. Therefore, policymakers should incentivize corporate tax adherence. Establishing a clear link between CSRD and tax contributions can reassure companies that their fiscal inputs contribute to societal development (Abdelfattah & Aboud, 2020; Davis et al., 2016). Additionally, we recommend that regulatory bodies across SSA adopt compliance frameworks similar to South Africa's,

which require either stand-alone CSR or integrated reporting (Ackers & Eccles, 2015), to foster ethical tax practices.

Our research, though extensive, faced certain limitations. We confined our analysis to 120 publicly traded firms over a 5-year span due to data availability constraints. Financial institutions were excluded because of their distinct reporting and governance requirements, and we focused on 13 of the 19 established stock exchanges in SSA. Data were manually collected from 600 annual reports to create a CSRD index based on 40 disclosure items, resulting in 24,000 data points.

Considering these limitations, future research could broaden the scope to include a larger sample, more recent time period, and more countries within SSA, offering a comprehensive understanding of the CSRD–tax avoidance relationship in the region. Exploring new tax avoidance indicators, especially in light of recent tax avoidance disclosures, could shed light on firms' global

TABLE 11 Robustness analysis using lagged variables.

	(1)	(2)	(3)
	CashETR	CETR	AETR
L.CSRD	15.979*** (5.412)	.217* (.127)	6.933** (2.845)
L.CSRD*CLG	.151** (.066)	.102** (.001)	.212* (.096)
L.TA	4.982** (2.122)	.087* (.047)	.082* (3.068)
L.TBQ	.736 (1.998)	.049 (.045)	3.005 (2.939)
L.DOA	-1.138 (.754)	.000 (.017)	.243 (1.109)
BZ	.627*** (.172)	.000 (.004)	.497* (.253)
IND	.062 (.072)	.000 (.002)	.063 (.106)
WOB	.166* (.085)	.003 (.002)	.333*** (.126)
IND_ACMTE	.055 (.066)	.000 (.002)	.076 (.098)
ACMTEZ	.126 (1.029)	.04* (.023)	2.134 (1.516)
L.GDP	35.928*** (9.376)	1.093*** (.224)	50.194*** (13.634)
_cons	-73.597*** (25.225)	-1.609*** (.612)	-95.658** (38.844)
Observations	380	380	380
R-squared	.17	.12	.14

Note: Research variables are defined in Table 2. Standard errors are in parenthesis.

*** $p < .01$; ** $p < .05$; * $p < .1$.

CSRD strategies. Future research on the link between CSRD and tax avoidance could also greatly benefit from leveraging primary data and employing advanced analytical methods, such as partial least squares-structural equation modeling (PLS-SEM). This approach, highlighted by Hair Jr. et al. (2021) and Sarstedt et al. (2023), allows for a comprehensive exploration of the direct and indirect impacts of CSRD on tax avoidance, enhancing our understanding of causal pathways and enabling targeted policy interventions. PLS-SEM's capacity for modeling nonlinear relationships and segment-specific analysis, along with its predictive relevance and the potential for integrating qualitative data, offers a comprehensive tool for dissecting this complex relationship. Additionally, combining PLS-SEM with necessary condition analysis, as recommended by Dul (2016) and Richter et al. (2020), provides a robust methodology for identifying both sufficient and necessary conditions for outcomes, thus offering deeper insights and practical guidance for addressing complex corporate tax behaviors.

FUNDING INFORMATION

No funders available.

CONFLICT OF INTEREST STATEMENT

The authors whose names are listed immediately below certify that they have no affiliations with or involvement in any organization or entity with any financial interest or non-financial interest in the subject matter or materials discussed in this manuscript.

PEER REVIEW

The peer review history for this article is available at <https://www.webofscience.com/api/gateway/wos/peer-review/10.1111/beer.12683>.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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How to cite this article: Gerged, A. M., Kehbama, K. M., & Beddewela, E. S. (2024). Corporate social responsibility disclosure and corporate social irresponsibility in emerging economies: Does institutional quality matter? *Business Ethics, the Environment & Responsibility*, 00, 1–19. <https://doi.org/10.1111/beer.12683>

APPENDIX 1

ENVIRONMENTAL, SOCIAL, AND ETHICAL DISCLOSURE INDEX

Section 1: Environmental disclosure items

1. Environment protection policy
2. Conservation and/or recycling of raw materials and waste
3. Environment protection program
4. Awards for environmental protection
5. Support for public/private action designed to protect the environment
6. Energy-saving policy
7. Information on water usage
8. Information on green office policy
9. Information on the emission of pollutants
10. Procedures for pollution control

Section 2: Social disclosure items

Employees

11. Encouraging a gender-diverse workforce, encouraging female employees
12. Encouraging disabled employees
13. Information about employees' labor union participation
14. Social Security coverage for employees
15. Corporate policy on employee training
16. Employee satisfaction, welfare, and loyalty
17. Health and safety policy

Community involvement

18. Philanthropy policy
19. Collaborations with charity foundations, local associations, groups
20. Political donation
21. Academic sponsorships
22. Donations to people living with disabilities and/or countries suffering from disaster
23. Donations for poverty alleviation
24. The amount spent on charitable and social activities

Customers

25. Proper customer relationship management
26. Management of customer complaints
27. Customer data protection policy
28. Customer satisfaction
29. New product and/or new process

Section 3: Ethical disclosure items

30. Ethics policy
31. Respect for social culture
32. Respect commercial culture
33. Established guidelines for employee behavior
34. Established guidelines for business ethics
35. Advocate self-discipline
36. Volunteer policy
37. Anti-corruption and/or anti-commercial bribery policies
38. Compliance with laws and regulations
39. Established equal opportunities policy
40. Promoting fair competition