

The moderating role of corporate governance on corporate social responsibility and tax aggressiveness: evidence from Nigeria

Unuagbon Owaghianye Inomwan¹, Edosa Joshua Aronmwan^{2*}
^{1,2}Department of Accounting, Faculty of Management Sciences, University of Benin,
Nigeria

*Corresponding author: joshua.aronmwan@uniben.edu
<https://doi.org/10.33003/fujafr-2026.v4i3.422.427-441>

Abstract

Purpose: This study investigates the relationship between corporate social responsibility (CSR) and tax aggressiveness, with a particular focus on the moderating role of corporate governance.

Methodology: The study used panel data from one hundred and two Nigerian listed firms covering ten years (2013-2022) and employed the fixed effects panel data regression technique.

Results and conclusion: It was discovered that only economic social responsibility has a significant direct and interaction effect relationship with tax aggressiveness. While legal & ethical responsibility has a significant relationship with tax aggressiveness before moderation, the interaction effect is not significant. Lastly, philanthropic responsibility did not have any significant direct and interaction effect relationship with tax aggressiveness.

Implication of findings: The findings indicate that CSR dimensions exhibit mixed relationships with tax aggressiveness, while corporate governance significantly moderates this relationship. This is suggestive that it is necessary for management to uphold strong internal governance.

Keywords: Corporate governance, Legal & ethical responsibility, Philanthropic responsibility, Tax aggressiveness

JEL Classification: H26, G34, M14

1. Introduction

Corporate tax aggressiveness has become a critical issue in modern financial and corporate reporting, particularly in the wake of globalization and increasingly complex tax systems (Kao & Liao, 2021). Firms often exploit regulatory loopholes to minimize tax liabilities, raising ethical concerns about their contribution to societal development. Corporate tax aggressiveness has been defined as “the ability of the firm to use various tax planning techniques to minimize its taxes without violating any laws” (Issah & Rodrigues, 2021, p. 226). While Khan et al. (2022) posited that aggressive tax planning can take various forms, such as overstating deductions, understating income, and taking advantage of tax incentives; Kao and Liao (2021) considered tax aggressiveness as a tactic to hide earnings involving the reduction of tax liability by taking advantage of legal loopholes, global tax regulations, or financial maneuvers.

Literature documents an increasing trend in aggressive tax practices. For instance, Duhoon and Singh (2023) penned that in 2023, about “\$650bn in revenue has been lost by governments across the world due to the shifting of nearly 40% of total profits by multinational companies to tax haven countries” (p. 198). Furthermore, Donelson et al. (2022) and Zhang et al. (2022) noted that the prevalence of overseas tax havens has expanded, opening up new opportunities for tax avoidance and aggressiveness.

Also in literature, the idea of corporate social responsibility (CSR) has also gained popularity. Corporate social responsibility (CSR) has emerged as a mechanism through which firms demonstrate accountability to stakeholders. CSR encompasses economic, legal, ethical, and philanthropic responsibilities (Carroll, 1991). From the perspective of Adebayo and Ismail (2018), CSR can be described as a company's continuous commitment to act morally, promote economic growth, and enhance the lives of its employees and their families, as well as the local community and society at large. It can be seen as a form

of self-regulation by businesses intended to benefit the company as well as stakeholders such as customers, employees, shareholders, and the local community (Adhikari & Barua, 2020).

The coexistence of CSR engagement and aggressive tax practices creates a paradox: firms may appear socially responsible while undermining public finances through tax avoidance. Timbate (2023) contended that CSR and tax-aggressiveness can be complementary or substitutionary tactics, and that businesses may choose one over the other depending on the situation. For instance, Edogiawerie and Aronmwan (2025) noted that a business could decide to forego CSR efforts in order to lower its tax obligation, or the other way around. Furthermore, businesses may participate in CSR programs just to boost their reputation and establish legitimacy, rather than to truly benefit society. In this instance, tax aggressiveness within the context of the overall CSR initiative may be perceived as hypocritical because it goes against the company's efforts to present itself as socially responsible (Jauernig & Valentinov, 2019; Zhang et al., 2023). However, it is also possible that businesses engage in both CSR programs and tax aggressiveness for sincere motives like sustaining profitability and maximizing shareholder value (She & Michelon, 2019). In this situation, the approach might not be viewed as hypocritical but rather as a necessary compromise in the achievement of moral and financial obligations (Antonetti et al., 2020). Thus, the debate as to the relationship between CSR and tax aggressiveness remains an open question.

Against the backdrop of mixed findings observed in literature, Kovermann and Velte (2021) noted that imprecision in CSR measurements is a likely reason for the mixed and contradictory evidences on the relationship between CSR and tax aggressiveness. According to Edogiawerie and Aronmwan (2025), many studies on CSR have largely been silent on the composition of CSR as suggested by Carroll (1991). Most studies harp on just one aspect (economic responsibility) leaving the other aspects (legal, ethical, philanthropic) unexplored. Consequently, this study addresses this gap by using CSR in its decomposed forms.

In addition, corporate governance has been fingered to play a crucial role in resolving the CSR/tax aggressiveness paradox (Hajawiyah et al., 2022; Lanis & Richardson, 2015). Corporate governance (CG) is the totality of policies, procedures, and practices put in place to ensure companies are directed and managed properly and in the best interest of the owners. Governance mechanisms such as board independence, audit quality, and shareholder oversight influence managerial decisions, including tax strategies (Minnick & Noga, 2010).

Researches have indicated that there is a moderating effect of corporate governance on the correlation between CSR and other corporate outcomes such as market capitalization, stock return, among other financial performance measures (Chan et al., 2013; Firmansyah et al., 2022). More specifically, Kovermann and Velte (2021) advocated that the CSR-Tax avoidance nexus is affected by corporate governance although these arguments have come mostly from studies in developed regions. Furthermore, Hajawiyah et al. (2022) is one of the very few studies that have considered the moderating effect of corporate governance on the CSR-tax aggressiveness nexus. However, like most studies, they focused on just an aspect of corporate governance (i.e risk management) whereas, corporate governance is multidimensional and cannot be effectively captured using just one aspect.

Summarizing the discourse and placing the motivation for this study in proper perspective, we found from prior literature that most studies treat CSR as a unidimensional construct rather than decomposing it into economic, legal, ethical, and philanthropic dimensions (Carroll, 1991). Also, there are limited studies that examine corporate governance as a moderating variable in the CSR-tax aggressiveness relationship (Hajawiyah et al., 2022) and lastly, the evidence on the CG-CSR-Tax aggressiveness nexus

from developing economies such as Nigeria remains scarce. Therefore, this study employs corporate governance as a moderator and measures it using an index that captures its multidimensional aspects. The index, which is developed in line with the principles of the Nigerian Code of Corporate Governance 2018, captures the expectations of regulatory bodies on how corporate governance should be practices in Nigeria, thereby providing a Nigerian perspective on the moderating effect of corporate governance on CSR-tax aggressiveness nexus. Consequently, the broad objective of this study is therefore to investigate the moderating role of corporate governance on the relationship between corporate social responsibility and tax aggressiveness drawing on data derived from the annual reports of listed Nigerian companies.

2. Literature review

Corporate social responsibility and its dimensions

According to Zeng (2019), corporate social responsibility (CSR) is a company strategy that promotes sustainable development by benefiting all stakeholders on an economic, social, and environmental level. According to the International Organization for Standardization (2018), corporate social responsibility (CSR) is a company strategy that promotes sustainable development by benefiting all stakeholders on an economic, social, and environmental level. The concept of corporate social responsibility, or CSR, requires businesses to take into account the interests of society by being accountable for how their actions affect communities, shareholders, customers, workers, and the environment in all facets of their business operations (European Commission, 2018). Furthermore, corporate social responsibility (CSR) is a management concept that entails corporations integrating social and environmental issues into their company operations and stakeholder interactions (United Nations Global Compact, 2018).

One of the prominent works on CSR is that of Carroll (1991) that decomposes CSR into four (4) aspects and called it the CSR pyramid. These aspects are economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. The use of a pyramid suggests that these aspects are of different weights and that some aspects are more fundamental than others.

The economic responsibility perspective connotes that the business is created as an economic entity designed to provide goods and services with a view of making profit for shareholders. The legal responsibility perspective demonstrates that though the entity desires to make a profit, it must be done within the ambits of the law. Ethical responsibility perspective involves acting with fairness to all stakeholder groups and not just to the shareholders while the philanthropic responsibility perspective comprises of corporate actions towards the society. It involves engaging in activities that would improve the welfare of the citizens as well as improve the corporate image of the business (Aronmwan & Igbinoba, 2021, p. 124).

The focus of CSR has been on the role of businesses in addressing social, economic and environmental issues. While there is a general consensus that CSR is important, there is still a lack of understanding of how it should be implemented in Nigeria, particularly in terms of the legal, regulatory, and institutional frameworks required to support it (Udoh, 2018).

In a study assessing the implementation of CSR in Nigeria, Aina and Oluwatayo (2013) identified numerous challenges, including inadequate regulatory frameworks, lack of knowledge and awareness among stakeholders, lack of research and data on CSR in Nigeria, and lack of adequate resources and capacity among CSR practitioners. They concluded that while Nigeria has made progress in the adoption of CSR, more work needs to be done to effectively address the challenges and ensure successful implementation. Similarly, Adebayo and Ismail (2018) suggest that CSR in Nigeria faces a number of challenges related to corporate culture, including lack of understanding of the concept, lack of

commitment from senior management, and a lack of communication between stakeholders. They call for further research to assess the impact of CSR in Nigeria in order to inform strategies that can support its implementation.

In recent years, the idea of corporate social responsibility (CSR) has expanded to include a variety of endeavors, including community involvement, labor rights, and environmental preservation. Businesses are realizing more and more the part they can play in solving global issues like poverty, injustice, and climate change. By taking a proactive approach to CSR, businesses can create positive social and environmental impacts while improving their financial performance (Bansal, 2020). Recent trends in CSR also include a focus on sustainability, stakeholder engagement, and digitalization. Companies are increasingly emphasizing sustainability in their CSR strategies, with a focus on reducing their environmental impact and improving the lives of their stakeholders (Karthik & Reddy, 2019). There is also an increased focus on stakeholder engagement, with companies engaging with their customers, suppliers, and local communities to understand their needs and expectations (Luo et al., 2020). Additionally, companies are leveraging digital technologies to streamline their CSR activities and improve their transparency and accountability (Saraswati, 2020).

Despite the growing importance of CSR, there are several potential challenges that companies may face. These include a lack of understanding of the concept, difficulty in integrating CSR into the core business operations, and the difficulty of measuring the impact of CSR activities (Dahlsrud, 2008). Additionally, some companies may be reluctant to adopt CSR strategies due to the potential costs associated with them (Clarkson et al., 1995).

Another key issue is that of transparency. Companies must be open and honest about their operations if they are to be seen as socially responsible. This means being transparent about their manufacturing processes, supply chains and other aspects of their operations (Lal, 2019). This is essential in order to ensure that companies are held accountable for their actions and that the stakeholders have a clear understanding of how the company is operating. Finally, there is the issue of ethical labour practices. Companies must ensure that their employees are treated fairly and compensated adequately for their work. This includes ensuring that wage and hour laws are followed, as well as providing safe working conditions (Lal, 2019). Additionally, companies must also take steps to ensure that their suppliers are operating ethically and that human rights are being respected throughout their supply chains (Bosse & Ehlert, 2013). CSR has been criticized, for instance, some argue that the concept is too vague, which means it lacks the specificity necessary for companies to know what actions to take (Dahlsrud, 2008). Additionally, some have argued that CSR is just a form of “greenwashing”, where businesses engage in activities that appear to be environmentally friendly, but are actually designed to increase profits (Kotler & Lee, 2005; Udoh, 2018).

Theoretical review

This study relies on the trade-off hypothesis and the political cost theory to explain the relationship between CSR, corporate governance, and tax aggressiveness. The trade-off hypothesis was propounded by William P. Hogan in 1956. According to the trade-off hypothesis, businesses choose to exercise greater social responsibility when they have extra money or financial leeway, whereas when their earnings are low, they could be more proactive in reducing taxes (Alizon et al., 2009). From this angle, it may be argued that businesses are more likely to act responsibly when there is a financial incentive to do so (Sari & Tien, 2017). For instance, a firm may decide to donate a percentage of its revenues to certain charities or social causes during prosperous economic times since doing so has a positive social impact and preserves the company's overall competitive edge and good reputation. On the other hand, Niu et al.

(2021) reiterated that if earnings are low, the company could be more likely to employ tax-aggressive tactics to increase total profitability. The trade-off concept contends that the financial health of the corporation has a significant impact on how much corporate social responsibility shapes corporate tax avoidance behavior (Bozzolan et al., 2015). However, if the company's profitability is low, it may be more inclined to look elsewhere for additional sources of income, such as tax aggressive strategies (Fallan & Fallan, 2019). If the company has the financial resources to contribute money to social causes and benefit from higher social returns, then it is likely to do so (Fallan & Fallan, 2019).

In addition, the moderating effect of corporate governance on the relationship between CSR and tax aggressiveness is evident in the research literature. For example, a study by Khan et al. (2022) found that companies with stronger corporate governance mechanisms, such as board independence and CEO duality, were less likely to engage in tax aggressiveness, even when they had high CSR engagement. These findings suggest that effective corporate governance may mitigate the trade-off between CSR and tax aggressiveness and promote both practices simultaneously. Similarly, Dhaliwal et al. (2011) also found that companies with better corporate governance had a negative relationship between CSR and tax aggressiveness. They argue that effective corporate governance can align the interests of stakeholders, reducing the pressure on companies to engage in tax aggressiveness for short-term gains. In contrast, weaker corporate governance may create an environment where companies prioritize tax minimization over CSR to maximize shareholder value.

With reference to political cost theory, the argument is that companies strategically engage in CSR activities to manage their political environment and reduce the risk of government intervention (Laguir et al., 2015). Political cost theory, also known as the political economy of accounting was propounded by Gerald Davis in 1991. According to this theory, companies engage in CSR to demonstrate their commitment to society, thereby gaining support from stakeholders and minimizing potential political costs. However, corporations may also use CSR as a means of deflecting attention away from more questionable practices, such as tax evasion (Whait et al. 2018). For example, a study by Lin (2021) found a negative relationship between CSR and tax aggressiveness in Spanish listed companies. They suggest that CSR initiatives signal a company's commitment to social responsibility and ethical behavior, making it less likely to engage in aggressive tax practices. Similarly, a study by Rudyanto et al. (2023) found that companies with higher levels of CSR engagement tend to have lower levels of tax aggressiveness in the United States. On the other hand, there is also evidence to suggest that CSR can serve as a cover for tax aggressiveness. A study by Issah and Rodrigues (2021) found that CSR engagement can be used as a signal of legitimacy to cover up corrupt practices, including tax evasion, in emerging economies. Similarly, a study by Chen (2017) found that companies with higher levels of CSR engagement may use this as a means of reducing political costs and shielding themselves from scrutiny for aggressive tax practices.

Furthermore, corporate governance has been suggested as a moderator in the relationship between CSR and tax aggression based on the political cost theory. Good corporate governance practices can help minimize opportunistic behavior and promote ethical behavior. A study by Rashid et al. (2023) found that the presence of independent directors on the board can reduce the likelihood of tax aggressive behavior, as they provide oversight and promote a culture of ethical behavior. Similarly, a study by Lin (2021) found that companies with higher levels of corporate governance tend to have lower levels of tax aggressiveness. However, the impact of corporate governance on the relationship between CSR and tax aggression is not always straightforward. A study by Oyeleke et al. (2016) found that CSR engagement can have a positive effect on tax aggressiveness in companies with high levels of family ownership, as family firms are more likely to prioritize wealth accumulation over ethical behavior. This highlights the

importance of considering the ownership structure of a company when examining the relationship between CSR and tax aggression.

Empirical review

This section reviews literature on the relationship between corporate social responsibility and tax aggressiveness as well as the moderating effect of corporate governance.

Rahman and Cheisviyanny (2020) concentrated on the quality of corporate social responsibility disclosure, the number of women directors and commissioners on the board, and tax aggressiveness. The modified Disclosure Index established by Amin (2014) was used to assess the quality of social corporate responsibility disclosure. The number of female directors and female commissioners on the board was divided into two categories: zero (0) and one (1). The study's population consisted of all manufacturing businesses that were listed on the Indonesia Stock Exchange in 2017 and 2018. The study's findings revealed that the quality of corporate social responsibility disclosure had a favorable influence on tax aggressiveness, however the number of female directors and female commissioners on the board had no effect on tax aggressiveness.

Hajawiyah et al. (2022) investigated the bi-directional link between corporate tax evasion and corporate social responsibility (CSR) in Indonesian public firms from 2012 to 2016. To measure CSR, they use the Global Reporting Initiative (GRI) standards as well as the sustainability accounting, management, and policy index (Sampi). The study's population consists of publicly traded enterprises in Indonesia from 2012 to 2016. The panel data was utilized to test for a bi-directional association as well as an inverted-U shaped relationship between corporate tax aggressiveness and CSR. The findings showed that there was a bi-directional link between corporate tax aggressiveness and CSR and the link between corporate tax aggressiveness and CSR was U-shaped.

Khan et al. (2022) investigated the influence of corporate governance and corporate social responsibility (CSR) on tax avoidance in both a growing (Nigeria) and frontier market (Pakistan). Corporate governance proxies, CSR disclosure, business size, financial leverage, return on assets, return on equity, and net income are the particular factors evaluated in this study. The study's population comprises of publicly traded firms in Nigeria and Pakistan for the fiscal years 2018 and 2019. An independent sample t-test, correlation analysis, Panel OLS for corporate governance and CSR variables, and Multiple Ordinary Least Square test were employed in this study's data analysis. The study's findings indicated that, in the instance of Nigeria, corporate governance had a significant impact on tax evasion. Furthermore, there was a strong positive association in Pakistan between corporate governance and avoiding taxes, as well as between corporate social responsibility and tax avoidance.

Dakhli (2022) explored how ownership structure affected corporate tax avoidance as well as the effect of corporate social responsibility (CSR) on the relationship. The moderated regression analysis approach was employed by the authors to evaluate the connection of the variables, and the Sobel test was performed to test for mediation. The authors discovered that corporate social responsibility had a large negative direct effect on corporate tax avoidance, while the Sobel test revealed that CSR had no significant mediation effect.

Junaidi et al. (2023) examined the bi-directional interaction between CSR and tax avoidance, with audit quality playing a moderating role. The firms included in this study were listed on the Indonesia Stock Exchange (IDX) between 2018 and 2020. Data were analyzed using a simultaneous test and a two-stage least squares (2SLS) regression. The findings revealed that audit quality did not attenuate the association between corporate social responsibility and tax evasion. It was also discovered that tax avoidance had

no effect on corporate social responsibility, and audit quality could not reduce the impact of tax avoidance on corporate social responsibility. This study also discovered no link between corporate social responsibility and tax evasion.

Okoh et al. (2024) investigated the relationship between the CSR (donations, social cost, and environmental cost) of Nigerian oil and gas companies and tax aggressiveness. Using the fixed effect model, the study found evidence to support a negative link between CSR and effective tax rate implying that these firms engage both in CSR and tax aggressive practices. However, using Tunisian dataset, Mkadmi and Ali (2024) observed that firms do not simultaneously engage in CSR and tax avoidance. As a matter of facts, engaging in corporate social responsibility activities discourages tax avoidance behaviour of Tunisia listed companies.

Musa et al. (2024) focused on a narrow aspect of corporate governance by looking at the influence of board attributes on the tax planning behavior of listed deposit money banks in Nigeria. Using data from eleven banks for a seven-year period (2016-2022), they found that board gender diversity and board independence have significant positive relationship with tax planning while board size did not have a statistical significant relationship with tax planning. This led to the conclusion that not all construct of corporate governance in general and the board of directors in particular predict corporate tax planning behavior. Similarly, Sallau (2025) examined the impact of corporate governance attributes on tax planning with focus on board size, composition and audit committee size. The study relied on purposive sampling technique to select seven listed DMB's for a period of fourteen years (2008-2021). The findings from the study revealed that board size is negatively significant with effective tax rate while board composition and audit committee size had positive and significant effects.

Wang et al. (2025) investigated the assertion whether tax aggressiveness causes higher CSR engagement. They found that CSR/ESG engagement by U.S./Canadian firms significantly increased four years after engaging in aggressive tax practice. The same was discovered for other firms in the sample although this group was timelier in increasing their CSR/ESG activities. However, Bhattacharyya and Imam (2024) have a different position as they discovered that Indian firm are less likely to engage in aggressive tax behavior when the policy and regulation on CSR spending is mandatory. Similarly, Pipatnarapong et al. (2025) investigated the influence of CSR engagement on the extent of tax avoidance using listed firms domiciled in the founding BRICS countries (Brazil, Russia, India, China, and South Africa) and found that these firms do not use CSR as a strategic tool for legitimacy or to mask tax aggressiveness rather, they have a culture of tax compliance and view CSR engagement as a complementary strategy.

Based on the foregoing, this study hypothesizes that:

H1: Corporate governance does not significantly moderate the relationship between CSR and tax aggressiveness.

3. Methodology

An ex post facto research design using panel data regression is adopted. The study's population comprises of all firms listed on the Nigerian Exchange. However, due to regulatory differences and the modus operandi within the financial sector, this sector has been excluded from the investigation. Consequently, the target population comprises of all the one hundred and two (102) listed non-financial companies as at 31st December 2022 after excluding the five (5) firms with incomplete information for the period under investigation (2013-2022). The final sample is made up of all the one hundred and two companies using the census sampling technique.

Model Specification

To establish the moderating effect of corporate governance on the relationship between corporate social responsibility and tax aggressiveness in line with prior studies (Dakhli, 2022; Rahman & Cheisvianny, 2020), we specify therefore:

$$TA = f(ESR, ESR*CG, LESR, LESR*CG, PSR, PSR*CG, CG) \dots \dots \dots (1)$$

Several studies have investigated other variables that can affect the link between corporate social responsibility and tax aggressiveness. Therefore, this study inputs two control variables; firm size (Hajawiyah et al., 2022; Bebbington, et al. 2019) and leverage (Hsieh, 2012). These variables can help to control for any potential confounding effects on the effect between CSR and tax aggressiveness. For instance, larger firms may have more resources and capabilities to engage in CSR activities, which could also influence their tax aggressiveness. By including firm size as a control variable, the researchers can isolate the effect of CSR on tax aggressiveness without the influence of firm size.

Therefore, in consolidating with the control variables, we have:

$$TA = f(ESR, ESR*CG, LESR, LESR*CG, PSR, PSR*CG, CG, size, leverage) \quad (2)$$

Combining the stochastic and deterministic aspect of the models, give rise to the econometric model:

$$TA_{it} = B_0 + B_1ESR_{it} + B_2ESR*CG_{it} + B_3LESR_{it} + B_4LESR*CG_{it} + B_5PSR_{it} + B_6PSR*CG_{it} + B_7CG_{it} + B_8FS_{it} + B_9LEV_{it} + \epsilon_{it} \dots \dots \dots (3)$$

Where: CSR = corporate social responsibility; ESR = economic responsibility; LESR = legal & ethical responsibility; PSR = philanthropic responsibility; TA = tax aggressiveness; CG = corporate governance; FS = firm size; LEV = leverage; $\beta_0, \beta_1, \beta_2 \dots \beta_5, \alpha_0, \alpha_1, \alpha_2, \alpha_3, B_0, B_1, B_2 \dots B_9$ = Coefficients; ϵ = stochastic error term; i = Cross section; t = Time frame

The measurements of the variables as presented in Table 1

Table 1: Measurement of variables

Variables	Proxy	Measurement	Source	Apriori sign
Tax aggressiveness	TA	This is measured using total book tax difference	Hajawiyah et al. (2022)	
Economic responsibility	ESR	Measured using returns on asset		+/-
Legal and Ethical responsibility	LESR	Measured using log value of cash tax paid	Scarpa and Signori (2023)	+/-
Philanthropic responsibility	PSR	Measured using log value of donations	Aronmwan and Igbinoba (2021)	+/-
Corporate governance	CG	This is measured using corporate governance index	Aronmwan and Igbinoba (2021)	+
Control Variables				
Firm size	FS	Measured by log of total assets	Brockman et al. (2019)	+
Leverage	LEV	This is measured using total debt to total assets ratio	Oluranke and Oyelowo (2021)	+

Source: Authors

4. Results and discussion

Descriptive statistics

Table 2 provides evidence to support aggressive tax practices among companies in Nigeria. Based on the positive mean statistic (M = N1,481,276), it can be deduced that on the average, income reported for accounting purpose is higher than the income reported for tax purpose and consequently, a lower amount of tax is paid. From the statistics on economic, legal and ethical, and philanthropy responsibilities, we found evidence to support the weak corporate culture as all the mean values were very small. Corporate governance and leverage had mean values higher than 50% suggesting a fair practice when it comes to the way and manner organisations are managed as well as the extent of assets that are financed using debts. To a large extent, any pressure to engage in tax aggressiveness may be disassociated with pressure from debt financiers.

Table 2: Descriptive statistics of variables

Variables	Mean	Min	Max	Std. Dev.
TA	1,481,276	-159,000,000	599,000,000	25,306,742
ESR	0.012	-2.360	6.174	0.284
LESR ⁺	1,783,828	-2,381,665	151,000,000	9,648,247
PSR ⁺	83,946	0	5,219,399	383,969
CG	0.588	0.077	1.000	0.266
FS ⁺	101,000,000	57,287	2,720,000,000	291,000,000
LEV	0.600	0.023	0.984	0.250

+ denotes variables in their non-logarithm form.

TA = tax aggressiveness; CSR = corporate social responsibility; ESR = economic responsibility; LESR = legal & ethical responsibility; PSR = philanthropic responsibility; CG = corporate governance; FS = firm size; LEV = leverage

Source: Extract from Eview 10 output

Correlation analysis

As expected, the correlation coefficient (r) between the same variable is 1 and the closer the correlation coefficient to 1, the stronger the association and vice versa. Table 3 provides evidence first that all the variables move in the same direction except for leverage. Second, only the economic and philanthropic aspects have a significant bivariate association with tax aggressiveness. The highest correlation coefficient is .718 (PSR-FS) and below the 0.9 rule of thumb for likelihood of multicollinearity.

Table 3: Correlation analysis of variables

Variables	TA	ESR	LESR	PSR	CG	FS	LEV
TA	1.000						
ESR	0.082*	1.000					
LESR	0.008	0.065*	1.000				
PSR	0.189*	0.066*	0.611*	1.000			
CG	0.082*	0.076*	0.185*	0.213*	1.000		
FS	0.213*	0.068*	0.716*	0.718*	0.290*	1.000	
LEV	-0.078*	-0.130*	0.097*	0.053	-0.032	0.083*	1.000

Source: Extract from Eview 10 output

Regression result

Table 4 was used to present the moderation effect of corporate governance on the relationship between corporate social responsibility and tax aggressiveness. A joint significant effect was found to exist $F(9, 1011) = 47.737$, $p < .01$, $R^2 = .852$ revealing that corporate social responsibility taken together explain between 85.2% of the systematic variations in tax aggressiveness.

Table 4: Fixed effects PLS CG moderation of CSR and tax aggressiveness

t-Statistic	Coeff	Std. Error	t-Statistic
ESR	1.107	0.080	13.809*
ESR*CG	-0.134	0.059	-2.273**
LESR	-0.019	0.011	-1.747***
LESR*CG	0.008	0.016	0.543
PSR	0.005	0.007	0.722
PSR*CG	-0.006	0.009	-0.708
CG	-0.073	0.061	-1.192
FS	0.078	0.017	4.413*
LEV	0.030	0.021	1.417
C	-0.505	0.145	-3.465*
R-squared	0.852		
Adjusted R-squared	0.835		
F-statistic	47.737		
Prob(F-statistic)	0.000		
Hausman (P-value)	0.000		
Serial Correlation LM (P-value)	0.120		
Heteroskedasticity Test (P-value)	0.004		
t-stats are based on robust Std. Error			
* denotes sig @ 1%; ** denotes sig @ 5%, *** denotes sig @ 10%			

Source: Extract from Eview 10 output

Furthermore, from Table 4, it was discovered that only economic social responsibility has a significant direct and interaction effect relationship with tax aggressiveness. While legal & ethical responsibility has a significant relationship with tax aggressiveness before moderation, the interaction effect is not significant. Lastly, PSR did not have any significant direct and interaction effect relationship with tax aggressiveness.

To consolidate all the interaction effects and enable us address the hypothesis on the moderating effect of corporate governance on the relationship between corporate social responsibility as a whole and tax aggressiveness, we performed the Wald tests where all the coefficients of the interacted variables (ESR*CG, LESR*CG, and PSR*CG) are jointly tested for significance. The result is presented in Table 5.

Table 5: Wald Test for Joint Significance of CG moderation

Test Statistic	Value	df	Probability
F-statistic	5.8110	(3, 997)	0.0006
Chi-square	17.433	3	0.0006

Source: Extract from Eview 10 output

From Table 5, the p-value of the F-statistic is less than .05 suggesting that we fail to accept the null hypothesis and that the alternate hypothesis of a joint significance should be accepted. Consequently,

this result points to corporate governance having a significant moderation effect of the relationship between corporate social responsibility and tax aggressiveness.

We therefore conclude that corporate governance significantly moderates the relationship between CSR and tax aggressiveness. This stands at variance with the findings of Junaidi et al. (2023) that used audit quality as a measure of governance and did not find any significant moderation effect on the nexus between CSR and tax aggressiveness. However, it supports the findings Hajawiyah et al. (2022). Hajawiyah et al. used risk management as a measure of governance and discovered that it significantly moderated the relationship between CSR and tax aggressiveness. This also aligns with the agency theory that sound corporate governance can help minimize agency conflicts and opportunistic behavior such as tax aggressiveness.

5. Conclusion

This study was embarked upon with the broad objective of investigating the moderating role of corporate governance on the nexus between corporate social responsibility and tax aggressiveness. The study employed the ex post facto research design and sampled a total of one hundred and two (102) companies for ten (10) years (2013-2022) after data filtering. The findings from the investigation revealed that corporate governance significantly moderates the relationship between CSR and tax aggressiveness. It was also discovered that only economic social responsibility has a significant direct and interaction effect relationship with tax aggressiveness. While legal & ethical responsibility has a significant relationship with tax aggressiveness before moderation, the interaction effect is not significant. Lastly, PSR did not have any significant direct and interaction effect relationship with tax aggressiveness. Conclusively, this study finds evidence that corporate governance is a significant moderator of the relationship between CSR and tax aggressiveness.

Based on the result that corporate governance was found to strengthen the positive relationship between CSR and tax aggressiveness, this study recommends that if companies must utilize CSR as an insurance against reputational loss associated with tax aggressiveness, it is necessary for management to uphold strong internal governance. Furthermore, tax aggressiveness is multifaceted as such, it can be measured using a plethora of proxies. Therefore, the study recommends that future studies can use other proxies such as tax shelter or the actual findings on investigations on tax fraud. Also, the argument that financial companies are more regulated throws open the possibility of a different tax behavior and practice within the financial sector. Therefore, future studies can carry out a similar investigation using this sector.

Reference

- Adebayo, T. O., & Ismail, S. (2018). Corporate social responsibility practice in Nigeria: Challenges and prospects. *International Journal of Engineering and Technology*, 7(3), 153-159.
- Adhikari, A., & Barua, S. (2020). Corporate social responsibility and tax aggressiveness: Evidence from Indian firms. *Journal of Business Ethics*, 159(4), 721-739.
- Aina, O. O., & Oluwatayo, D. (2013). Corporate social responsibility in Nigeria: Challenges and prospects. *International Journal of Business and Management*, 8(6), 11-20.
- Alizon, S., Hurford, A., Mideo, N., & Van Baalen, M. (2009). Virulence evolution and the trade-off hypothesis: History, current state of affairs and the future. *Journal of Evolutionary Biology*, 22(2), 245-259. <https://doi.org/10.1111/j.1420-9101.2008.01658.x>
- Antonetti, P., Bowen, F., Manika, D., & Higgins, C. (2020). Hypocrisy in corporate and individual social responsibility: Causes, consequences and implications. *Journal of Business Research*, 114, 325-326. <https://doi.org/10.1016/j.jbusres.2019.12.016>

- Aronmwan, E. J., & Igbinoba, O. O. (2021). Corporate social responsibility and corporate tax planning: Does CSR/tax payment orientation matter? *International Journal of Intellectual Discourse*, 4(1), 120-135.
- Bansal, P. (2020). *Corporate social responsibility: A global perspective*. Routledge.
- Bebbington, J., Gray, R., Bebbington, D., & Larrinaga, C. (2019). Tax aggressiveness, corporate social responsibility, and stakeholder theory: An exploratory study. *Critical Perspectives on Accounting*, 58, 113-125.
- Bozzolan, S., Fabrizi, M., Mallin, C. A., & Michelon, G. (2015). Corporate social responsibility and earnings quality: International evidence. *The International Journal of Accounting*, 50(4), 361-396. <https://doi.org/10.1016/j.intacc.2015.10.003>
- Bosse, D. A., & Ehlert, M. A. (2013). Tax evasion in Sweden: An empirical analysis. *International Tax and Public Finance*, 20(3), 474-502. <https://doi.org/10.1007/s10797-012-9238-8>
- Brockman, P., Campbell, J. L., Lee, H. S., & Salas, J. M. (2019). CEO internal experience and voluntary disclosure quality: Evidence from management forecasts. *Journal of Business Finance & Accounting*, 46(3-4), 420-456. <https://doi.org/10.1111/jbfa.12361>
- Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34(4), 39-48. [https://doi.org/10.1016/0007-6813\(91\)90005-G](https://doi.org/10.1016/0007-6813(91)90005-G)
- Chan, K. H., Mo, P. L., & Zhou, A. Y. (2013). Government ownership, corporate governance and tax aggressiveness: Evidence from China. *Accounting & Finance*, 53(4), 1029-1051. <https://doi.org/10.1111/acfi.12043>
- Chen, X. (2017). Corporate social responsibility disclosure, political connection and tax aggressiveness: Evidence from China's capital markets. *Open Journal of Business and Management*, 6(1), 151-164. <https://doi.org/10.4236/ojbm.2018.61010>
- Clarkson, M. B. E., Korsgaard, M. A., & Siegel, D. S. (1995). Managing corporate social responsibility: A stakeholder perspective. *Strategic Management Journal*, 16(5), 447-475.
- Dahlsrud, A. (2008). How corporate social responsibility is defined: An analysis of 37 definitions. *Corporate Social Responsibility and Environmental Management*, 15(1), 1-13. <https://doi.org/10.1002/csr.132>
- Dakhli, A. (2022). The impact of ownership structure on corporate tax avoidance with corporate social responsibility as mediating variable. *Journal of Financial Crime*, 29(3), 836-852. <https://doi.org/10.1108/JFC-07-2021-0152>
- Dhaliwal, D. S., Li, O. Z., Tsang, A., & Yang, Y. G. (2011). Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. *The Accounting Review*, 86(1), 59-100. <https://doi.org/10.2308/accr.00000005>
- Donelson, D. C., Glenn, J. L., & Yust, C. G. (2022). Is tax aggressiveness associated with tax litigation risk? Evidence from D&O insurance. *Review of Accounting Studies*, 27(2), 519-569. <https://doi.org/10.1007/s11142-021-09612-w>
- Duhoon, A., & Singh, M. (2023). Corporate tax avoidance: A systematic literature review and future research directions. *LBS Journal of Management & Research*, 21(2), 197-217. <https://doi.org/10.1108/LBSJMR-12-2022-0082>
- Edogiawerie, U. O., & Aronmwan, E. J. (2025). Corporate social responsibility dimensions and tax aggressiveness: A Nigerian perspective. *Gombe Journal of Administration and Management*, 7(2), 1-10.
- Eisingerich, A. B., & Bell, S. J. (2012). Corporate social responsibility and tax avoidance. *Journal of Business Ethics*, 110(2), 169-180.

- European Commission. (2020). *Corporate governance.* https://ec.europa.eu/growth/industry/policy/corporate-governance_en
- Fallan, E., & Fallan, L. (2019). Corporate tax behaviour and environmental disclosure: Strategic trade-offs across elements of CSR? *Scandinavian Journal of Management*, 35(3), 101042. <https://doi.org/10.1016/j.scaman.2019.02.001>
- Firmansyah, A., Febrian, W., & Falbo, T. D. (2022). The role of corporate governance and tax risk in Indonesia investor response to tax avoidance and tax aggressiveness. *Jurnal Riset Akuntansi Terpadu*, 15(1), 11-27. <https://doi.org/10.35448/jrat.v15i1.14033>
- Hajawiyah, A., Kiswanto, K., Suryarini, T., Yanto, H., & Harjanto, A. P. (2022). The bidirectional relationship of tax aggressiveness and CSR: Evidence from Indonesia. *Cogent Business & Management*, 9(1), 2090207. <https://doi.org/10.1080/23311975.2022.2090207>
- Hsieh, Y. C. (2012). New evidence on determinants of corporate effective tax rates. *African Journal of Business Management*, 6(3), 1177-1180. <https://doi.org/10.5897/AJBM11.1522>
- Issah, O., & Rodrigues, L. L. (2021). Corporate social responsibility and corporate tax aggressiveness: A scientometric analysis of the existing literature to map the future. *Sustainability*, 13(11), 6225. <https://doi.org/10.3390/su13116225>
- Jauernig, J., & Valentinov, V. (2019). CSR as hypocrisy avoidance: A conceptual framework. *Sustainability Accounting, Management and Policy Journal*, 10(1), 2-25. <https://doi.org/10.1108/SAMPJ-05-2018-0141>
- Junaidi, R. R., Andriyani, N. R., & Hajawiyah, A. (2023). The bidirectional interaction between corporate social responsibility and tax avoidance: The moderating role of audit quality [Special issue]. *Journal of Governance & Regulation*, 12(4), 297-305. <https://doi.org/10.22495/jgrv12i4siart9>
- Kao, W. C., & Liao, C. H. (2021). Tax avoidance and tax disclosures in corporate social responsibility reports in the United Kingdom. *Journal of International Accounting Research*, 20(3), 59-80. <https://doi.org/10.2308/JIAR-2020-036>
- Karthik, M., & Reddy, K. (2019). Corporate social responsibility: A review. *International Journal of Management and Applied Science*, 5(1), 9-14.
- Khan, N., Abraham, O. O., Alex, A., Eluyela, D. F., & Odianonsen, I. F. (2022). Corporate governance, tax avoidance, and corporate social responsibility: Evidence of emerging market of Nigeria and frontier market of Pakistan. *Cogent Economics & Finance*, 10(1), 2080898. <https://doi.org/10.1080/23322039.2022.2080898>
- Kotler, P., & Lee, N. (2005). *Corporate social responsibility: Doing the most good for your company and your cause.* John Wiley & Sons.
- Kovermann, J., & Velte, P. (2021). The impact of corporate governance on corporate tax avoidance - A literature review. *Journal of International Accounting, Auditing and Taxation*, 36, 1-29. <https://doi.org/10.1016/j.intaccaudtax.2019.100270>
- Laguir, I., Staglianò, R., & Elbaz, J. (2015). Does corporate social responsibility affect corporate tax aggressiveness? *Journal of Cleaner Production*, 107, 662-675. <https://doi.org/10.1016/j.jclepro.2015.05.059>
- Lal, A. (2019). Corporate social responsibility: An overview. In *Encyclopedia of business and professional ethics* (pp. 504-509). Springer.
- Lanis, R., & Richardson, G. (2015). Is corporate social responsibility performance associated with tax avoidance? *Journal of Business Ethics*, 127, 439-457. <https://doi.org/10.1007/s10551-014-2052-8>
- Lin, W. L. (2021). Giving too much and paying too little? The effect of corporate social responsibility on corporate lobbying efficacy: Evidence of tax aggressiveness. *Corporate Social Responsibility and Environmental Management*, 28(2), 908-924. <https://doi.org/10.1002/csr.2098>

- Luo, S., Li, C., & Qiu, Z. (2020). Corporate social responsibility: A review of current trends and future directions. *International Journal of Environmental Research and Public Health*, 17(19), 7020.
- Mkadmi, J. E., & Ali, W. B. (2024). How does tax avoidance affect corporate social responsibility and financial ratio in emerging economies? *Journal of Economic Criminology*, 5, 1-8. <https://doi.org/10.1016/j.jeconc.2024.100070>
- Minnick, K., & Noga, T. (2010). Do corporate governance characteristics influence tax management? *Journal of Corporate Finance*, 16(5), 703-718. <https://doi.org/10.1016/j.jcorpfin.2010.08.005>
- Musa, S. L., Adamu, I. A., & Aliyu, M. Y. (2024). Examining the influence of board attributes on tax planning in Nigerian listed deposit money banks. *FULafia International Journal of Business and Allied Studies*, 2(3), 54-76.
- Niu, S., Fan, H., Chen, L., & Liu, Q. (2021). The association between tax aggressiveness and environmental protection in Chinese public firms. *Accounting & Taxation*, 13(1), 31-43.
- Oluranke, O. O., & Oyelowo, K. J. (2021). Corporate social responsibility, tax aggressiveness, and firm performance: Evidence from Nigeria. *International Journal of Economics, Finance and Management Sciences*, 9(1), 13-29.
- Oyeleke, O., Erin, I., & Emeni, F. (2016). Corporate tax aggressiveness and risk-taking behavior of firms in Nigeria. *International Journal of Business and Financial Management Research*, 4(4), 21-35.
- Pipatnarapong, J., Beelitz, A., & Jaafar, A. (2025). Corporate social responsibility and tax avoidance: Evidence from BRICS countries. *Corporate Governance*, 25(7), 1628-1652. <https://doi.org/10.1108/CG-09-2024-0463>
- Rahman, B., & Cheisviyanny, C. (2020). Corporate social responsibility and tax aggressive. *Jurnal Eksplorasi Akuntansi*, 2(3), 2942-2955. <https://doi.org/10.24036/jea.v2i3.261>
- Rashid, M. H. U., Begum, F., Hossain, S. Z., & Said, J. (2023). Does CSR affect tax avoidance? Moderating role of political connections in Bangladesh banking sector. *Social Responsibility Journal*, 1, 1-9.
- Rudyanto, A., Julisar, J., & Debora, D. (2023). Political connection as a double-edged sword: The case of tax aggressiveness practice during the COVID-19 pandemic. *Asian Journal of Accounting Research*, 8(4), 400-410. <https://doi.org/10.1108/AJAR-04-2023-0113>
- Sallau, M. M. (2025). The impact of corporate governance attributes on tax planning of listed deposit money banks in Nigeria: Corporate governance and tax planning. *FUDMA Journal of Accounting and Finance Research [FUJAFR]*, 3(3), 115-128. <https://doi.org/10.33003/fujafr-2025.v3i3.211.115-128>
- Sari, D., & Tjen, C. (2017). Corporate social responsibility disclosure, environmental performance, and tax aggressiveness. *International Research Journal of Business Studies*, 9(2), 1-7. <https://doi.org/10.21632/irjbs.9.2.93-104>
- Saraswati, R. (2020). Digitalization of corporate social responsibility: An overview. *International Journal of Social Responsibility*, 5(2), 1-17.
- Scarpa, F., & Signori, S. (2023). Understanding corporate tax responsibility: A systematic literature review. *Sustainability Accounting, Management and Policy Journal*, 14(7), 179-201. <https://doi.org/10.1108/SAMPJ-04-2022-0200>
- She, C., & Michelon, G. (2019). Managing stakeholder perceptions: Organized hypocrisy in CSR disclosures on Facebook. *Critical Perspectives on Accounting*, 61, 54-76. <https://doi.org/10.1016/j.cpa.2018.09.004>
- Timbate, L. (2023). CSR and corporate taxes: Substitutes or complements? *BRQ Business Research Quarterly*, 26(4), 327-346. <https://doi.org/10.1177/23409444211002218>
- Udoh, E. (2018). Nigeria: Aggressive tax practices in Nigeria - A review of current tax issues. *International Business & Economic Research*, 17(8), 2231-2240.

- United Nations Global Compact. (2018). *UN Global Compact progress report 2018*. <https://unglobalcompact.org/library/5637>
- Wang, X., Chan, K. F., Chang, M., Shan, Y. G., & Yang, J. W. (2025). Does tax-aggressive behavior motivate more CSR engagement? *Economics & Politics*, 37, 669-684. <https://doi.org/10.1111/ecpo.12333>
- Whait, R. B., Christ, K. L., Ortas, E., & Burritt, R. L. (2018). What do we know about tax aggressiveness and corporate social responsibility? An integrative review. *Journal of Cleaner Production*, 204, 542-552. <https://doi.org/10.1016/j.jclepro.2018.08.334>
- Zeng, T. (2019). Relationship between corporate social responsibility and tax avoidance: International evidence. *Social Responsibility Journal*, 15(2), 244-257. <https://doi.org/10.1108/SRJ-03-2018-0056>
- Zhang, X., Husnain, M., Yang, H., Ullah, S., Abbas, J., & Zhang, R. (2022). Corporate business strategy and tax avoidance culture: Moderating role of gender diversity in an emerging economy. *Frontiers in Psychology*, 13, 827553. <https://doi.org/10.3389/fpsyg.2022.827553>
- Zhang, K., Zhang, X. E., & Xu, X. (2023). Discard the false and retain the true: The effect of hypocrisy on the cognitive legitimacy of social enterprises. *International Journal of Emerging Markets*, 3, 1-9. <https://doi.org/10.1108/IJOEM-03-2022-0497>
- Zou, H., & Chen, H. (2020). Corporate social responsibility and tax aggressiveness: Evidence from China. *Journal of Business Economics and Management*, 21(3), 881-902.