

**THE EFFECT OF CEO OVERCONFIDENCE ON THE RELATIONSHIP  
BETWEEN CORPORATE SOSIAL RESPONSIBILITY DISCLOSURE  
AND TAX AVOIDANCE: AN EMPIRICAL STUDY ON PUBLIC LISTED  
COMPANIES CONSUMER GOOD SECTOR NON-CYCLICAL IN  
INDONESIA 2022-2024**

**(Undergraduate Thesis)**

**By**

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**ACCOUNTING DEPARTMENT  
FACULTY OF ECONOMIC AND BUSINESS  
UNIVERSITAS LAMPUNG  
BANDAR LAMPUNG  
2026**

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**DWI NURYANTI KHARISMA PUTRI**

**As One of the Requirements to Obtain a Bachelor of Accounting Degree  
(Bachelor of Accounting)**

**In**

**Accounting Department  
Faculty of Economic and Business Universitas Lampung**



**ACCOUNTING DEPARTMENT  
FACULTY OF ECONOMIC AND BUSINESS  
UNIVERSITAS LAMPUNG  
BANDAR LAMPUNG  
2026**

## ABSTRAK

### **PENGARUH OVERCONFIDENCE CEO TERHADAP HUBUNGAN ANTARA PENGUNGKAPAN CORPORATE SOCIAL RESPONSIBILITY DAN PENGHINDARAN PAJAK: STUDI EMPIRIS PADA PERUSAHAAN SEKTOR CONSUMER NON-CYCLICAL YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE 2022–2024**

Oleh

**Dwi Nuryanti Kharisma Putri**

*Penelitian ini bertujuan untuk menganalisis apakah pengungkapan Corporate Social Responsibility (CSR) berpengaruh terhadap penghindaran pajak dengan mempertimbangkan overconfidence CEO sebagai variabel moderasi. Data yang digunakan dalam penelitian ini diperoleh dari laporan tahunan dan laporan keberlanjutan perusahaan sektor consumer non-cyclical yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2022–2024. Metode analisis yang digunakan dalam penelitian ini meliputi regresi linier berganda dan Moderated Regression Analysis (MRA).*

*Hasil penelitian menunjukkan bahwa pengungkapan CSR tidak berpengaruh signifikan terhadap penghindaran pajak, sedangkan overconfidence CEO terbukti memiliki pengaruh moderasi yang signifikan terhadap hubungan antara pengungkapan CSR dan penghindaran pajak.*

*Kata kunci: Corporate Social Responsibility, Penghindaran Pajak, Overconfidence CEO.*

## **ABSTRACT**

### **THE EFFECT OF CEO OVERCONFIDENCE ON THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE AND TAX AVOIDANCE: AN EMPIRICAL STUDY ON PUBLIC LISTED COMPANIES CONSUMER GOOD SECTOR NON-CYCLICAL IN INDONESIA 2022-2024**

**By**

**DWI NURYANTI KHARISMA PUTRI**

*This study aims to analyze whether Corporate Social Responsibility (CSR) Disclosure influences Tax Avoidance by considering CEO Overconfidence as a moderating variable. The data used in this research were obtained from the annual and sustainability reports of non-cyclical consumer goods companies listed on the Indonesia Stock Exchange (IDX) during the 2022-2024 period. The analytical methods employed in this study include multiple linear regression and moderated regression analysis (MRA). The findings reveal that CSR disclosure has insignificant effect on Tax Avoidance, while CEO Overconfidence demonstrates a significant moderating effect on the relationship between CSR Disclosure and Tax Avoidance.*

*Keywords: Corporate Social Responsibility, Tax Avoidance, Overconfidence CEO*

## APPROVAL SHEET

Thesis Title : **The Effect of CEO Overconfidence on the Relationship Between Corporate Social Responsibility Disclosure and Tax Avoidance: An Empirical Study on Public Listed Companies in the Non-Cyclical Consumer Goods Sector in Indonesia 2022–2024**

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# RATIFICATION

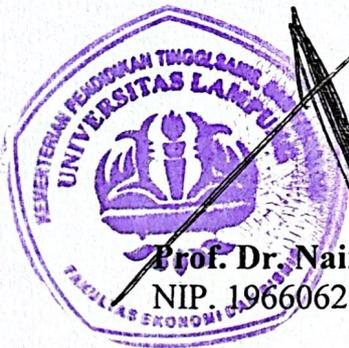
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Hereby declare that my thesis entitled **“The Effect of CEO Overconfidence on the Relationship Between Corporate Social Responsibility Disclosure and Tax Avoidance: An Empirical Study on Public Listed Companies in the Non-Cyclical Consumer Goods Sector in Indonesia 2022–2024”** is my own original work. This thesis contains no material previously published or written by another person, nor any material which has been accepted for the award of any other degree or diploma at any university, except where due acknowledgement has been made in the text. Should this declaration be found to be untrue in the future, I am willing to accept any academic sanctions in accordance with the applicable regulations.

Bandar Lampung, 5 February 2026

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## BIOGRAPHY



This undergraduate thesis was written by Dwi Nuryanti Kharisma Putri, who was born in Bandar Lampung on 12 August 2004, as the second child of two siblings of Mr. Sudiarto and Mrs. Sulistyowati, and has an elder sister named Septhy Kartika Dewi. The author began her formal education at Al-Irsyad Kindergarten, graduating in 2010. She then continued the primary education at SD Negeri 1 Hanura and graduated in 2016. Her junior secondary education was completed at SMP Negeri 2 Pesawaran, graduating in 2019. Subsequently, she completed her senior secondary education at SMA Negeri 1 Padang Cermin, majoring in Social Science, and graduated in 2022. During her senior high school years, the author actively participated in the National Science Olympiad (OSN) in economics at both the regency and provincial levels, and was also involved in various speech competitions.

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### **Motto**

“Allah does not burden any soul beyond its capacity, with each soul earning the rewards of good and bearing the consequences of evil”

QS. Al-Baqarah : 286

“Absolutely not! Allah is certainly with me—He will guide me.”

QS. As-Syu'ara : 62

“You define your own life. Don't let other people write your script. You can be everything. You can be the infinite amount of things that people are”

- Oprah Winfrey

## DEDICATION

Alhamdulillahirabbil ‘ālamīn.

All praise belongs to Allah SWT, the Source of light for every step taken and the refuge for every weary soul. By His mercy, grace, and divine permission, this thesis has finally reached its destined shore. May peace and blessings eternally be upon Prophet Muhammad SAW, the noble exemplar whose teachings illuminate the path of life.

**With a heart filled with gratitude and reverence, this humble work is devoted to:**

**My beloved parents, Sudiarto and Sulistyowati**, two souls who became the roots of my growth and the direction of my return.

Thank you for a love that flows without condition, for prayers whispered in silence yet always heard by the heavens. From unspoken sacrifices to words of wisdom that steady the heart, you are the strength behind every step I dared to take and every dream I chose to pursue. Thank you for celebrating every achievement, no matter how small it may appear to the world. May Allah SWT reward all your devotion with His boundless mercy and protection, in this world and into eternity. Aamiin.

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A place where knowledge intertwines with values, and where dreams are shaped through learning. Thank you for being a space to grow, to fall and rise again, until this milestone was finally reached.

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## I. INTRODUCTION

### 1.1. Background

Taxation plays a critical role as a major component of national revenue, supporting government expenditures and contributing to national development and public welfare. It also serves as a primary funding mechanism for the government to carry out its administrative functions. As such, the government consistently strives to enhance tax collection efforts. According to Article 1, Paragraph 1 of Law No. 7 of 2021 on General Provisions and Tax Procedures in Indonesia, taxes are mandatory contributions imposed on individuals and entities and national prosperity. Given its strategic significance, taxation stands as the most substantial source of state income in Indonesia.

Table 1.2  
Realization of State Tax Revenue 2020-2025  
(In Billion Rupiah)

Year	Tax Revenue	Non-Tax Revenue
2020	Rp 1.285.136,32	Rp 343.814,21
2021	Rp 1.547.841,10	Rp 458.493,00
2022	Rp 2.034.552,50	Rp 595.594,50
2023	Rp 2.118.348,00	Rp 515.800,90
2024	Rp 2.309.859,80	Rp 492.003,10
2025	Rp 1.917.678, 90	Rp 444.987,30

(Source: Central Bureau of Statistics [www.bps.go.id](http://www.bps.go.id) )

According to the information shown in Table 1.1 which spans the years 2020 to 2024, it is clear that tax revenue consistently surpasses non-tax revenue. This suggests that taxes continue to be the largest source of income for the state and have consistently increased each year. Taxes play a vital role in providing national revenue, which subsequently aids in public welfare and economic growth. To increase tax revenue, the government needs to establish a collection system that is easy to access and user-friendly, allowing taxpayers to meet their responsibilities smoothly and effectively. Indonesia utilizes a *Self-Assessment System*, where taxpayers are given the duty to determine and report their own tax obligations in accordance with the current tax laws. This system demonstrates the government's confidence in taxpayers' willingness to comply voluntarily. Nonetheless, this independence may also be exploited, leading to chances for avoiding taxes or even evading them. These actions create a significant difficulty for the government in maintaining adherence to regulations and equity in tax management. The ongoing difference between the tax revenue goals and the actual amounts collected over the years emphasizes the weaknesses in the existing taxation system, which certain groups may continue to take advantage of.

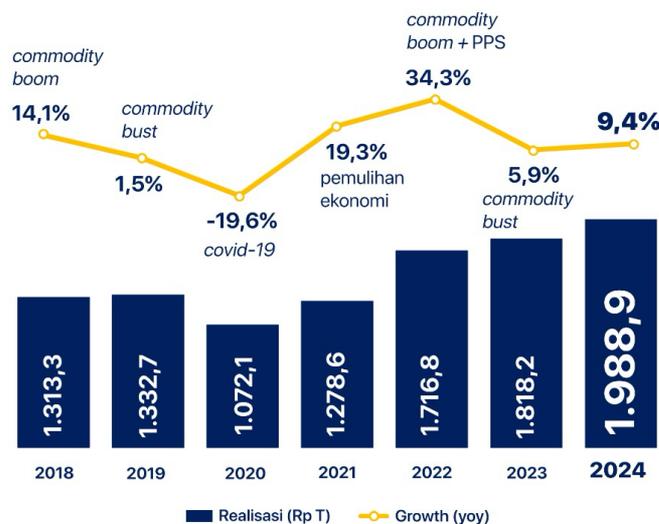


Figure 1.1

Realization of Tax Revenue 2018-2024

(In trillion Rupiahs)

(Source: Directorate of General Taxes Performance Report 2018-2024)

According to Figure 1.1 which illustrates the goals and achievements of tax revenue from 2018 to 2024, it is clear that there is a notable upward trend in tax revenue. However, there was a marked decline in 2020 as a direct result of the effects of the COVID-19 pandemic. In 2020, the total tax revenue decreased to Rp 1.072,1 trillion, showing a decline of (-19,6%). Nevertheless, this situation progressively enhanced alongside the resurgence of the national economy in 2021, culminating in a total of Rp 1.278,6 trillion and an annual increase of 19,3%.

The highest point of growth was reached in 2022, fueled by the surge in commodity prices and the Voluntary Disclosure Program (PPS), resulting in a significant rise in tax revenue to Rp 1.716,8 trillion, reflecting a growth of 34,3%. In 2023, despite a slowdown in the growth rate to 5,9% caused by falling global commodity prices, the government succeeded in sustaining a positive trajectory with a revenue of Rp 1.818,2 trillion. The forecast for 2024 is positive, aiming for an achievement of Rp 1.988,9 trillion and a growth rate of 9,4% compared to the previous year.

This situation demonstrates the government's initiatives to enhance the taxation sector as the primary source of national income. Despite the increase in revenue collection, the overall target of the State Budget (APBN) has not been fully met, suggesting that there remains unused tax potential. One reason is the insufficient adherence to tax regulations by certain taxpayers, including individuals and businesses. As stated by (Irnawati et al., 2021), a taxpayer refers to any person or legal entity that possesses rights and responsibilities regarding the fulfillment of tax regulations, which may occur through direct payment, withholding, or tax collection. In this situation, businesses as taxpayers have interests that differ from those of the government. The government aims to improve tax revenue to support public functions, whereas businesses often see taxes as a financial strain that decreases their profits. Consequently, tax management practices develop to reduce that burden, frequently resulting in tax avoidance strategies.

Tax planning is a crucial aspect of tax management that companies utilize to lower the total tax owed, whether for the present fiscal year or for upcoming years (Nofriansyah, 2024). One approach in this planning process is tax avoidance, which is a lawful method that utilizes gaps or flaws in tax laws. Furthermore, research

conducted by (Rakhmayani, 2022) determined that while tax avoidance is a legal strategy in tax management, it involves risks like heightened corporate risk and negative impacts on the value of the firm and the cost of debt. Tax avoidance generally includes strategies like transfer pricing, thin capitalization, the use of tax havens, and varying tax rates, all while remaining within the legal framework. Nonetheless, as noted by (Rini et al., 2022), these activities exist in a “*gray area*” they are legal in a technical sense, yet often raise concerns regarding their substance, as these transactions typically do not have a valid business reason other than reducing tax obligations.

When a plan or financial deal is created only to lower taxes without any real business reasons, like improving operations, creating new ideas or growing the market, it can be classified as tax avoidance. According to (Muslim et al., 2023), tax avoidance practices can lead to a decrease in the government’s tax revenue. Meanwhile, (Panggabean et al., 2024), state that tax avoidance has a complex nature. It is legally permissible for companies, yet from the government’s perspective, it is not always desirable. When a company engages in tax avoidance, it indicates that the company is less concerned with the interests of its stakeholders. In other words, the higher the level of tax avoidance, the lower the company’s social responsibility toward society and its efforts to contribute to public welfare.

Corporate Social Responsibility (CSR) is increasingly perceived as a strategic investment that reinforces a company’s commitment to sustainability while simultaneously enhancing stakeholder trust. This was evident in a recent demonstration by the residents of Jatijajar, Depok, where they called for Lazada’s warehouse to employ at least 30% of local workers and to undertake concrete CSR initiatives (Source: [www.tempo.co](http://www.tempo.co)). Study by (Wulandari & Fanani, 2024) demonstrated both theoretically and through empirical evidence that Corporate Social Responsibility (CSR) positively affects tax avoidance. This suggests that with more comprehensive CSR disclosures, there may be a rise in tax avoidance, especially in scenarios where the quality of the audit committee is lacking.

This perspective is further illustrated by the recent recognition received by PT Sasa Inti, a consumer non-cyclicals company that was awarded the Golden Trophy at the

2025 TOP CSR Awards (Source: [www.topbusiness.id](http://www.topbusiness.id)) the highest honor in the event. The company has emphasized that its CSR programs are not merely symbolic, but strategically structured to deliver long-term impact. According to Setio Adi Susanto, General Manager of MSG Plant PT Sasa Inti approximately 90% of the company's employees come from the surrounding area, making community-focused CSR, especially in education, a direct investment in the company's future. Nonetheless, such an extensive commitment to CSR also invites critical reflection particularly regarding whether these initiatives serve solely as genuine contributions to society or may also function as a strategic means to divert attention from aggressive tax practices. Even so, these efforts provide clear evidence that well-executed CSR can not only enhance corporate reputation but also deliver tangible benefits to local communities, contributing to both social well-being and long-term business sustainability. In contrast, research conducted by (Andriyani, 2023) indicates that a greater level of Corporate Social Responsibility (CSR) disclosure is generally associated with a decrease in tax avoidance, demonstrated by a rise in the Cash Effective Tax Rate. Recent events have demonstrated that Corporate Social Responsibility (CSR) can serve as a means to justify assertive tax practices.

In May 2025 the Director of PT Solusi Bangun Indonesia (SBI) faced allegation of utilizing fraudulent tax invoices, which led to a government loss of around Rp 890 million, despite the company's public involvement in CSR activities (Source: [www.pajak.go.id](http://www.pajak.go.id)). This situation underscores that a company's public pledge to social responsibility may not always match its financial compliance.

To investigate this pattern more deeply, a study conducted by (Rahmawati, 2023) found that ineffective corporate governance structures especially regarding the audit committee's performance may increase the chances of CSR being utilized as a cover for tax avoidance tactics. A study conducted by (Tuljannah & Helmy, 2023) revealed that a CEO's overconfidence may enhance the likelihood of tax avoidance, although this effect is hopped by internal company elements like solvency and leverage. CEOs who exhibit excessive confidence tend to prioritize improving company performance and profitability over engaging in Corporate Social

Responsibility (CSR) disclosure, even though CSR activities are essential for preserving and enhancing firm value. According to (Karavitis et al., 2025), reported a negative association between CEO overconfidence and the extent of corporate involvement in CSR disclosure and Tax Avoidance.

In addition, overconfidence CEOs tend to overestimate the firm's earning potential, creating a disparity between expected and actual financial outcomes. Overconfidence CEOs may pursue profit maximization through tax avoidance strategies, viewing taxes as a controllable expense. (Bivianti et al., 2022), further found that firms led by overconfident CEOs are more likely to engage in tax avoidance practices.

Based on the above explanation, an appropriate title for this research is:

**“The Effect of CEO Overconfidence on the Relationship between Corporate Social Responsibility Disclosure and Tax Avoidance: An Empirical Study on Public Listed Companies Consumer Goods Sector Non-Cyclical in Indonesia 2022-2024”**

## **1.2. Research Question**

1. Does Corporate Social Responsibility (CSR) Disclosure affect tax avoidance in consumer goods companies non-cyclical listed on the Indonesia Stock Exchange?
2. Does CEO overconfidence moderate the relationship between Corporate Social Responsibility (CSR) Disclosure and tax avoidance in Indonesian consumer goods non-cyclical companies?

## **1.3. Objectives**

1. To analyze the effect of Corporate Social Responsibility (CSR) Disclosure on tax avoidance in consumer goods non-cyclical companies listed on the Indonesia Stock Exchange.

2. To determine whether CEO overconfidence moderates the relationship between CSR Disclosure and tax avoidance in the context of consumer goods companies.

#### **1.4. Benefit of The Research**

##### **1.4.1 Theoretical Benefits**

1. Contributes to the development of behavioral accounting and corporate governance literature, particularly in understanding the role of CEO personality traits in corporate tax avoidance practices.
2. Expands empirical evidence regarding the relationship between CSR Disclosure and tax avoidance in a developing country context (Indonesia), addressing previous studies' mixed findings
3. Provides new insights into how CEO overconfidence can serve as a significant moderating variable in corporate strategic decision-making

##### **1.4.2 Practical Benefits**

1. Provides valuable information for shareholders, investors, and boards of commissioners in evaluating the risks and strategic decisions made by CEOs, especially those with overconfident traits.
2. Assists regulators and tax authorities (such as the Indonesian Directorate General of Taxes) in designing policies or regulations related to transparency, CSR Disclosure, and executive governance to reduce tax avoidance.
3. Offers recommendations for consumer goods companies to balance CSR activities, tax compliance, and leadership traits when developing long-term strategies.

## II. LITERATURE REVIEW

### 2.1. Theoretical Framework

#### 2.1.1 Legitimacy Theory

According to (Deegan et al., 2002), legitimacy theory illustrates the close relationship between a company and its stakeholders. The theory emphasizes that firms consistently strive to adopt strategies that ensure their operations remain aligned with the prevailing social norms and values in their environment. In practice, companies are generally willing to respond to societal expectations, for example by providing transparent reports of their activities. Similarly, (Suchman, 1995) defines legitimacy as a condition in which corporate actions are considered proper, appropriate, and consistent with the values, norms, and beliefs embedded in the social system. For this reason, firms are expected to maintain constructive relationships with their social and political environment in order to secure the legitimacy necessary for sustaining operations, regardless of their financial circumstances.

Corporate activities inherently influence legitimacy, either strengthening or undermining it. Consequently, strategic decisions must prioritize the preservation of legitimacy, one of which can be achieved through Corporate Social Responsibility (CSR) initiatives and their public disclosure. Both the implementation and disclosure of CSR serve as essential tools for gaining and maintaining stakeholder legitimacy. In line with (Deegan et al., 2002), legitimacy is sustained only when corporate operations are consistent with societal norms and values, while deviations from these norms may threaten legitimacy. Therefore, companies tend to avoid practices that are viewed as socially harmful or norm-violating, such as tax avoidance.

From this perspective, the extent of CSR disclosure in sustainability reports can be regarded as an indicator of the level of corporate legitimacy. A higher level of CSR disclosure signals stronger legitimacy, which in turn helps safeguard the continuity of business operations and addresses sensitive issues such as tax avoidance.

### **2.1.2 Upper Echelons Theory**

Upper Echelon Theory, first introduced by (Donald C. Hambrick & Phyllis A. Mason, 1984), posits that the personal characteristics and cognitive backgrounds of an organization's top executives such as the CEO and Top Management Team (TMT) significantly influence the company's strategic decisions and overall organizational performance. Upper Echelon Theory highlights that the strategic direction and performance of an organization are influenced not only by external factors or the organizational structure but are fundamentally driven by its leadership. The experiences, values, and individual choices of senior executives whether CEOs or members of the top management team shape the way the organizations view challenges, assesses opportunities, and reacts to changes in environment.

In the realm of sustainability, this theory emphasizes that a company's ability to implement socially and environmentally responsible strategies is heavily influenced by the mental abilities, diversity, and willingness to learn of its leading decision-makers (Dhir et al., 2023). These individual traits become key determinants of the company's commitment to Corporate Social Responsibility (CSR), ethical decision-making, and broader business practices, including taxation policy.

The use of Upper Echelon Theory in making strategic financial decisions is clearly demonstrated in the research conducted by (Ting et al., 2015) applies this theory to examine the connection between the traits of CEOs and their decisions regarding corporate leverage. The research indicates that in intricate financial choices like the use of debt, the preferences and inclinations of CEOs are key to understanding the differences in financing strategies among various companies. It is observed that

factors like age, gender, education level, and tenure greatly affect a CEO's willingness to take risks in decisions regarding capital structure. For instance, younger CEOs, female CEOs, and those who have held their positions for longer periods often demonstrates more assertive behaviors regarding the use of debt. These results highlight the importance of Upper Echelon Theory in showing how personal traits influence strategic choices which directly affect a company's financial organization and strategy.

The research conducted by (Saesen et al., 2024) provides a deeper insight into the concepts of Upper Echelon Theory which relates the theory to the setting of digital orientation. This research clearly indicates that "The Upper Echelon Theory perspective suggests that the traits of individual CEOs impact the results at the firm level, particularly the firm's strategic direction", highlighting that strategic choice, such as digital orientation are primarily influenced by a CEO's cognitive environment. The research emphasizes the significance of profound psychological traits, such as overconfidence, suggesting that Upper Echelon Theory includes not just visible traits like age and gender but also "*Fundamental Psychological Features*" like cognitive bias. A major emphasis of the study is on overconfident CEOs, individuals who have an inflated belief in their abilities and often overlook the potential dangers of failure and how these leaders typically guide their companies toward more daring digital strategies. This illustrates the fundamental principle of Upper Echelon Theory which holds that the mental composition and personal perspectives of executives significantly impact strategic direction and their willingness to take risks.

Their research shows that in more stable settings defined by minimal market fluctuations and low levels of technological change, overconfident CEOs have greater freedom to make strategic decisions influenced by their cognitive biases. Considering the above discussion, Upper Echelon Theory serves as a significant and strong theoretical framework for this study. It offers a thorough explanation of how the personality traits of CEOs and their cognitive biases particularly overconfidence affect important corporate decisions, such as those related to corporate social responsibility efforts and tax avoidance strategies. Thus, in this research Upper Echelon Theory serves as the fundamental theoretical basis for

examining how CEO overconfidence influences the association between CSR involvement and corporate tax avoidance.

### 2.1.3 Overconfidence Theory

Overconfidence theory is a key principle in behavioral psychology and plays an important role in making strategic decisions. It describes how people or groups often believe they know more, can do more, or are more correct in their decisions than they really are in specific circumstances. (Russo & Schoemaker, 2016) state that *“Overconfidence is the conviction that we possess greater knowledge or abilities than we truly hold in a specific area or activity. It is among the most widespread and alluring misconceptions. Few can avoid it, even those who are well-versed in strategy”*. In essence, overconfidence is not just a basic mistake in judgement, it is a significant and pervasive psychological illusion, affecting even highly trained experts.

In the research conducted by (Yang et al., 2025), it pointed out that CEOs with excessive confidence often ignore the benefits of commercial financing, which actually provides smoother processes and reduced expenses. They assert that *“If overconfident CEOs overlook these benefits, the proportion of corporate commercial credit financing will decrease”*. Consequently, the company overlooks chances to secure efficient and affordable funding, which ultimately diminishes the effectiveness of capital distribution and undermines the organization’s financial results.

Furthermore, excessive confidence exhibited by CEOs is strongly linked to the issue of information asymmetry. Chief Executive Officers who display overly high levels of confidence may foster unfavorable views among external stakeholders, including creditors, investors, or regulatory bodies. This happens because outsiders might view this excessive confidence as a signal of risk disregard and management uncertainty, resulting in reduced trust and increased expenses for external funding.

In this context, the journal observes that *“The inclination towards risk communicated to providers of business credit might result in a decreased amount*

*of credit financing*” suggesting that excessive confidence might limit the company’s ability to access outside sources of funding.

In summary, Overconfidence Theory is very significant in clarifying CEO actions that differ from the idea of perfect rationality presented in conventional financial theory. This theory emphasizes that important corporate choices are influenced not only by market conditions, rules, or financial information, but also by the cognitive biases and self-views of the main decision-makers. Considering the significant influence that CEOs have in shaping a company’s direction regarding Corporate Social Responsibility (CSR) disclosure and tax-related decisions along with the fact that cognitive biases such as overconfidence can alter a CEO’s perception of risk and ethics. The use of Overconfidence Theory in this study is highly relevant. This theory provides a strong conceptual foundation to understand how and why CEO overconfidence can moderate the relationship between CSR and tax avoidance, and serves as a crucial analytical tool for identifying potential conflicts between a company’s social legitimacy and its hidden financial interests.

#### **2.1.4 CEO Overconfidence**

CEO Overconfidence is widely recognized as one of the most persistent and influential cognitive biases among top executives. It refers to a CEO’S tendency to overestimate their own managerial abilities, the accuracy of their judgements, and the likelihood of success in the strategic decisions they make (Almaghrabi et al., 2024; Sharpe et al., 2023). In financial and accounting literature, overconfidence is not regarded as a stable personality trait, but rather as a cognitive distortion that affects how decisions are assessed and executed (Lartey et al., 2022) . Overconfident CEOs tend to form overly optimistic projections about future outcomes, which can lead them to downplay risks and overcommit to certain strategies. A commonly used empirical indicator of CEO overconfidence is the tendency to delay exercising in-the-money stock options, based on the belief that the firm’s stock price will continue to rise in the future (Malmendier & Tate, 2005, as cited in Sharpe et al., 2023).

The impact of this bias is evident across a range of corporate decision-making areas. For instance, (Almaghrabi et al., 2024) found that overconfident CEOs often capitalize development costs under the assumption that such projects will generate future economic benefits. However, when these assumptions are not realized, the capitalized assets lose their signaling value, that is their role as a reliable indicator of a project's future value thus diminishing the quality of financial reporting.

From a regulatory perspective, (Lartey et al., 2022) observed that CEO overconfidence can also attract scrutiny from tax authorities such as the Internal Revenue Service (IRS), particularly when such optimism leads to aggressive tax planning or questionable financial disclosures. This highlights that the effects of overconfidence extend beyond internal decision-making and can expose firms to external compliance risks. Interestingly, while the literature often emphasizes the downside of overconfidence such as overinvestment, unprofitable mergers, or earnings misstatements. Some studies point to its potential benefits. (Sharpe et al., 2023) for example, show that overconfident CEOs may actually enhance customer satisfaction by allocating more resources toward research and development (R&D) and marketing. Their strong belief in achieving high performance pushes them to invest in innovation and customer-centric initiatives, which can yield positive results when aligned with market needs.

CEO overconfidence is a double-edged sword. On the one hand, it can drive innovation and firm growth; on the other, it poses serious risks if not properly managed.

### **2.1.5 Corporate Social Responsibility**

In recent years, Corporate Social Responsibility (CSR) has emerged as a core element of business strategy, reflecting the growing demand for companies to engage in ethical, responsible, and sustainable practices. CSR broadly refers to a company's initiative to align its operations not only with financial goals but also with social and environmental responsibilities.

CSR involves a company's proactive role in contributing positively to the society and environment where it operates. As emphasized by (Marco-Lajara et al., 2022), CSR is not merely about compliance or charitable acts, but represents a voluntary and strategic integration of ethical conduct, environmental stewardship, and social accountability into everyday business decision-making. It encourages business to uphold fair labor standards, ensure environmental protection, and act transparently and accountably toward their stakeholders.

(Santoso, 2024) reinforce this by highlighting CSR as a strategic asset that can enhance corporate reputation, financial performance, and organizational resilience, particularly in times of uncertainty. CSR initiatives can range from sustainability programs and responsible labor policies to direct community development and corporate philanthropy. Moreover, with the rise of digitalization, the concept of Corporate Digital Responsibility (CDR) has gained importance, emphasizing responsible data use, digital ethics, and equitable access to technology.

In a financial context, (Chang et al., 2025) view CSR as a forward-looking investment that delivers shared value to both the firm and society. By addressing stakeholder expectations and contributing to broader societal well-being, CSR disclosure can help build long-term trust and legitimacy. The study also notes that, since CSR is often funded through internal resources, corporate tax policies can significantly affect the extent and nature of CSR practices.

Corporate Social Responsibility represents a holistic business approach that goes beyond profitability to include sustainable environmental practices, social impact and ethical governance.

### **2.1.6 Tax Avoidance**

Tax avoidance refers to a company's effort to reduce its tax obligations through legally permitted strategies that exploit gaps, ambiguities, or flexibility within existing tax laws and regulations. While not illegal, such practices often raise ethical concerns, as they may result in lost public revenue and contribute to social inequality (Gao et al., 2025; Sarhan et al., 2024)

Unlike tax evasion, which involves deliberate violation of tax law, tax avoidance operates within the boundaries of legality but is frequently viewed as morally questionable. As highlighted by (Sarhan et al., 2024), aggressive tax planning can undermine a firm's legitimacy and diminish public-trust, especially when it is perceived as avoiding its fair contribution to society. Over time, such actions may harm the company's reputation and weaken stakeholder relationships.

In addition, tax avoidance is influenced not only by financial motives but also by the quality of a firm's internal governance structures. (Nabila Maharani & Akbar, 2025) argue that effective corporate governance mechanisms such as an independent audit committee and robust CSR programs can play a critical role in discouraging excessive tax avoidance behaviors. The global relevance of this issue also reflected in international regulatory initiatives, such as the OECD's Base Erosion and Profit Shifting (BEPS) framework, which aims to curb cross-border tax manipulation by multinational enterprises.

Furthermore, market conditions and regulatory pressure can intensify a firm's incentive to avoid taxes. (Gao et al., 2025) found that firms operating in monopolistic environments tend to increase their reliance on tax avoidance following the introduction of anti-trust regulations. Faced with declining profits and rising business uncertainty, these companies may pursue tax strategies more aggressively as a way to protect financial performance. This suggests that tax avoidance is not merely a technical or legal issue, but also a behavioral response to external pressures and regulatory environments.

Tax avoidance exists at the intersection of financial strategy and corporate ethics. While it may provide short-term economic benefits, it poses risks to a firm's reputation, regulatory standing, and social responsibility commitments. As such, firms must carefully balance tax planning with transparent and responsible governance to ensure long-term sustainability.

### **2.1.7 Leverage**

Leverage refers to the proportion of a firm's assets that are financed through debt, indicating the level of reliance on external sources of financing (Effendi & Surjadi, 2024). Leverage serves as a key measure of financial risk, as higher debt levels lead to greater fixed interest obligations (Budiman & Margaretha, 2024). Firms with substantial leverage are generally under stronger pressure to ensure stable cash flows, which can affect managerial decisions, including those related to taxation and financial reporting practices. Consequently, leverage is commonly employed as a control variable in empirical research to account for variations in capital structure and financial risk among companies (Dintia & Santioso, 2025). The use of debt can enhance firm value by supporting business expansion without diluting ownership, although excessive leverage may raise financial risk if not managed carefully (Chang & Wirianata, 2025). Leverage can influence managerial decision-making, suggesting that financial pressure arising from high debt levels may interact with governance mechanisms and executive characteristics in shaping corporate tax strategies (Adang et al., 2025).

### **2.1.8 Profitability**

Profitability refers to a firm's ability to generate earnings from its assets and operational activities, indicating how effectively management utilizes company resources to produce profits (Adang et al., 2025). A higher level of profitability generally reflects stronger financial performance and greater operational efficiency, which in turn leads to higher taxable income and increased corporate tax obligations (Dintia & Santioso, 2025). As corporate taxes constitute a significant cost that reduces net income, firms with higher profitability may face stronger incentives to manage their tax burden through various tax planning strategies (Chang & Wirianata, 2025). Profitability possesses both the motivation and the financial capacity to engage in tax avoidance practices so that it is widely included in tax avoidance research as a control variable to capture differences in firms' economic performance and their incentives to minimize tax payments (Gui & Sudirgo, 2025).

### **2.1.9 Institutional Ownership**

Institutional ownership refers to the proportion of company shares held by institutional investors such as banks, mutual funds, insurance companies, and pension funds (Yulianti et al., 2025). Institutional investors generally have stronger monitoring capabilities and greater incentives to oversee managerial behavior compared to individual shareholders (Rispany & Mubarak, 2025). Strong institutional ownership can limit managerial opportunism, including aggressive tax avoidance practices, due to heightened scrutiny and concerns over reputational and regulatory risks (Nurhidayah & Soerono, 2025). Firms with higher institutional ownership tend to adopt more conservative tax strategies, as institutional investors prefer sustainable financial performance and long-term firm value rather than short-term tax savings (Made Cindy Wahyu Ramadhanti et al., 2025). In the context of this study, institutional ownership is expected to reduce tax avoidance by strengthening external monitoring, thereby constraining managers' ability to engage in aggressive tax planning, even when CSR disclosure is used as a legitimacy mechanism (Gui & Sudirgo, 2025).

### **2.1.10 Sustainability Report**

Sustainability reporting refers to a structured process in which companies disclose their performance in environmental, social, and economic aspects. The purpose is to promote transparency, strengthen stakeholder trust and align corporate operations with long-term sustainable development goals (Nnedu, 2025). These disclosures are typically guided by frameworks such as the *Global Reporting Initiatives (GRI)* and the *Triple Bottom Line (TBL)* approach, which emphasize three key dimensions: profit (economic), people (social), and planet (environmental) (Dewi & Rustiarini, 2024).

From a theoretical standpoint, sustainability reporting is grounded in Stakeholder Theory, which argues that businesses must be accountable not only to shareholders but also to all stakeholder groups to ensure long-term viability. In this context,

sustainability reports serve as tools to reduce information asymmetry and foster stakeholder engagement. Empirical studies suggest that high-quality reporting practices contribute to increased firm value, enhanced operational efficiency, and improved corporate legitimacy.

However, the practice is not without criticism. While many companies issue sustainability reports as a demonstration of ethical commitment, some use them strategically to deflect attention from unethical financial behavior, such as tax avoidance. (Dewi & Rustiarini, 2024) point out that voluntary disclosures are often symbolic, intended more to manage external perceptions than to address substantive stakeholder concerns. This becomes particularly relevant when a firm is led by an overconfident CEO, who may rely heavily on sustainability narratives to justify aggressive tax strategies.

Additionally, Agency Theory helps explain this dynamic. Overconfident managers may exploit sustainability reporting as a means of pursuing personal or strategic interests, framing the company as socially responsible while concealing aggressive fiscal practices (Ortiz-Martínez et al., 2023) . In such cases, sustainability reports serve a dual purpose: externally, they enhance corporate legitimacy; internally, they function as tools to strategically manage reputation and reduce scrutiny. Thus, within the context of this study, sustainability reporting is viewed not only as a communication tool but also as a potential moderating factor in the relationship between Corporate Social Responsibility (CSR) disclosure and tax avoidance, particularly in companies led by overconfident executives.

### **2.1.11 Global Reporting Initiative**

The Global Reporting Initiative (GRI) is an independent international organization founded in 1997 by the Coalition for Environmentally Responsible Economies (CERES), in collaboration with the United Nations Environment Programme (UNEP). Its core mission is to develop a comprehensive global framework for sustainability reporting, enabling organizations worldwide including corporations, governments, and nonprofits to communicate their environmental, social, and

economic impacts in a structured and transparent manner (Global Reporting Initiative, 2021).

According to GRI (2021), sustainability reporting is defined as a systematic process through which organizations disclose how their activities impact society and the environment, while also explaining how these impacts are managed as part of a long-term business strategy. Such reporting reflects not only performance outcomes but also the organization's governance, ethical principles, and commitment to sustainable development goals. Since the release of its first guidelines (G1) in 2000, GRI has continuously revised its framework through G2 (2002), G3 (2006), and G4 (2013) leading to the launch of the GRI Standards in 2016, which became globally effective in July 2018 and officially introduced in Indonesia in 2017. Unlike previous versions, the GRI Standards adopt a modular structure, which allows updates to be made to individual topics or areas without altering the entire framework (Source: [www.GlobalReporting.org](http://www.GlobalReporting.org) )

GRI Standards consist of three major components:

1. Universal Standards (GRI 101 – Foundation, GRI 102 – General Disclosures, GRI 103 – Management Approach)
2. Topic Specific Standards (organized into GRI 200 for economic topics, GRI 300 for environmental topics, and GRI 400 for social topics)
3. Sector Standards, which are tailored to specific industries

Organizations can choose between two reporting options:

1. Core: minimum disclosures required to address key sustainability topics
2. Comprehensive: more detailed disclosures, including the organization's governance, strategy, and performance across all identified material topics.

GRI outlines four core principles that guide sustainability reporting.

Table 2.4  
Core Principle of GRI

<b>NO.</b>	<b>Principle</b>	<b>Definition</b>
1.	Materiality	Identifying the issues most significant to both the organization and its stakeholders
2.	Stakeholder Inclusiveness	Actively engaging stakeholders in defining report content
3.	Sustainability Context	Interpreting performance in relation to broader societal and environmental limits
4.	Completeness & Boundary	Covering the full scope of relevant impacts over the reporting period.

(Source: Global Reporting Initiative Standard, 2025)

These principles are designed to ensure that sustainability reports are relevant, balanced and useful for stakeholder decision-making.

In academic and corporate practice, GRI Standards have become a benchmark for measuring Corporate Social Responsibility (CSR) disclosure due to their standardized, verifiable, and widely accepted metrics (Bais et al., 2024; Dewi & Rustiarini, 2024). As a result, many researchers adopt GRI-based disclosures to assess the level of CSR engagement within firms. However, recent studies have raised concerns that GRI reporting may at times be more symbolic than substantive. That is, organizations may adopt high levels of practices that contradict the values reported such as aggressive tax strategies. This concern is particularly pronounced in companies led by overconfident CEOs, who may use GRI disclosures as a tool to legitimize their decision and deflect scrutiny, rather than as a genuine expression of accountability (Di Tullio et al., 2025; Ortiz-Martínez et al., 2023).

In this study, GRI Standards are utilized as a quantitative and observable indicator of CSR implementation. This allows the researcher to examine the relationship between CSR and tax avoidance more objectively, and to explore whether

overconfident executive behavior moderates the effectiveness of CSR as a signal of ethical corporate conduct.

### **2.1.12 Annual Report**

An annual report is a comprehensive and formal disclosure issued by a company, especially public listed firms, to communicate its financial and non-financial performance over the course of a fiscal year. This report serves as a vital communication medium between company management and various stakeholders including shareholders, investors, regulators, and the general public by providing a complete picture of how the company has operated, the value it has generated and the direction it intends to take in the future.

According to the Financial Services Authority of Indonesia (OJK) (2021), an annual report is not limited to financial statements alone but also as a form of managerial accountability, reflecting the company's governance practices, strategic outlook, and commitment to transparency. Similarly, Hong Kong Exchanges and Clearing Limited (Hong Kong Exchanges and Clearing Limited, 2025) emphasizes that an annual report should offer a well-rounded, transparent, and forward-looking narrative that enables stakeholders to assess the company's long-term sustainability and operational soundness. In addition to audited financial data, annual reports typically contain the management discussion and analysis, board and committee reports, executive remuneration, corporate governance disclosures, risk management information, and environmental, social and governance (ESG) statements including Corporate Social Responsibility (CSR) Reporting.

The main purpose of the annual report by OJK (2021) are as follows:

1. To provide relevant, accurate, and timely financial and non-financial information for informed decision-making by stakeholders
2. To promote transparency and reinforce accountability between corporate management and shareholders
3. To communicate the company's long-term business strategy, risk management approach, and commitment to sustainability

4. To fulfill regulatory and legal disclosure requirements, as mandated by financial authorities and Indonesia Stock Exchange (IDX).

As discussed by (Lathifah Salsabila, 2023), the tone, clarity, and length of an annual report can also reflect a company's internal leadership culture and strategic communication approach. Reports that are overly lengthy or excessively complex may obscure critical information, raising concerns about the firm's financial transparency or potential earnings management. This is particularly relevant in understanding the behavior of top executives especially overconfident CEOs whose narrative styles and communication patterns may subtly influence the quality and openness of corporate disclosures.

In the context of this study, the annual report serves as a primary source of secondary data, offering reliable and accessible indicators for all three main variables under examination. CSR activities and disclosures, often structured around the GRI Standards, are typically included in the sustainability section of the report. Tax avoidance can be assessed using figures from the income statement and tax footnotes, including deferred tax liabilities and effective tax rates. Meanwhile, CEO Overconfidence may be inferred from biographical information, compensation details, share ownership, tenure and the tone used in CEO messages and management commentary.

Thus, the annual report is not merely a legal requirement, but a strategic narrative that reveals much about the ethical posture, transparency level, and decision-making style of a company's leadership. Within this research, it provides a multidimensional perspective on how CSR and tax strategies are communicated and implemented, particularly under the leadership of CEOs whose overconfidence may shape reporting behaviors and corporate outcomes.

## 2.2. Variable

Variable measurement can be explained as follows:

Table 2.5  
Variable Measurement

NO	Variable	Measurement
1	Corporate Social Responsibility (CSR) Index (X)	$CSRI_x = \frac{\sum X_{yx}}{n_x}$ <p><i>CSRI<sub>x</sub></i>: Disclosure breadth index of company</p> <p><i>X<sub>yx</sub></i>: Number of GRI Standards disclosure criteria; GRI 200, GRI 300 and GRI 400 disclosed by company x (each disclosed disclosure will be given a value of 1 and 0 if not disclosed)</p> <p><i>n<sub>x</sub></i>: Number of GRI Standards disclosure items; GRI 200, GRI 300, and GRI 400 (Totaling 89 disclosures)</p>
2	Tax Avoidance (Y)	$Cash\ ETR = \frac{Cash\ Tax\ Paid}{Pretax\ Income}$ <p><i>Cash Tax Paid</i>: Estimate of the tax amount actually paid in a given period</p> <p><i>Pretax Income</i>: Company's income after all operating expenses have been deducted from total sales</p>
3	Overconfidence CEO (Z)	$HighOCS = \left( \frac{Total\ Salary\ of\ Top\ 3\ Managers}{Total\ Salary\ of\ All\ Managers} \right) \times 100$

		<p>- The higher this ratio, the stronger the indication that the CEO dominates the management structure and is likely to be overconfident</p> <p>- A high HighOCS value reflects centralized power and potential self-enhancement behavior among top executives.</p>
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### 2.3. Previous Research

Table 2.6  
Previous Relevant Research

<b>The Author/Researcher</b>	<b>Title</b>	<b>Analysis Model</b>	<b>Results</b>	<b>Difference with The Author</b>
(Karavitis et al., 2025)	<i>Overconfident CEOs, CSR, and Tax Avoidance : Evidence from China</i>	Panel Data Regression	CSR is positively related to tax avoidance, however, this effect is weakened by CEO overconfidence, especially in non-SOE firms	Similar model, but conducted in a different country and sector. My research focuses on consumer goods non-cyclical in Indonesia.
(Chang et al., 2025)	<i>Corporate Taxes and Corporate Social Responsibility</i>	Difference in Difference (DiD)	Tax cuts increase CSR, Tax hikes do not significantly reduce CSR	Focuses on the effect of taxes on CSR, not the other way round (CSR→Tax avoidance)
(Desti Claritsa., 2024)	<i>The Effect of CEO</i>	Panel Data Regression	CEO Overconfide	Uses different proxy

	<i>Overconfidence, Executive Characteristics, Capital Intensity, and Profitability on Tax Avoidance</i>	(Eviews, FEM)	nce has a negative effect on tax avoidance, no moderating effect between CSR and tax avoidance was tested	(overinvestment) and does not test moderating interaction with CSR
(Andriyani, 2023)	<i>The Effect of Corporate Social Responsibility on Tax Avoidance in Consumer Goods Companies Listed on Indonesia Stock Exchange (IDX)</i>	Panel Data Regression (Eviews) using REM	CSR has a positive effect in CETR, meaning higher CSR leads to lower tax avoidance	Focuses only on the relationship between CSR and tax avoidance without including the CEO overconfidence variable.
(Tuljannah & Helmy, 2023)	<i>Tax Avoidance: The Role of Managerial Ability and CEO Overconfidence</i>	Multiple Linear Regression (SPSS)	CEO Overconfidence is not significant, managerial ability reduces tax avoidance	Does not examine CSR, focuses only on executive characteristics, including overconfidence.

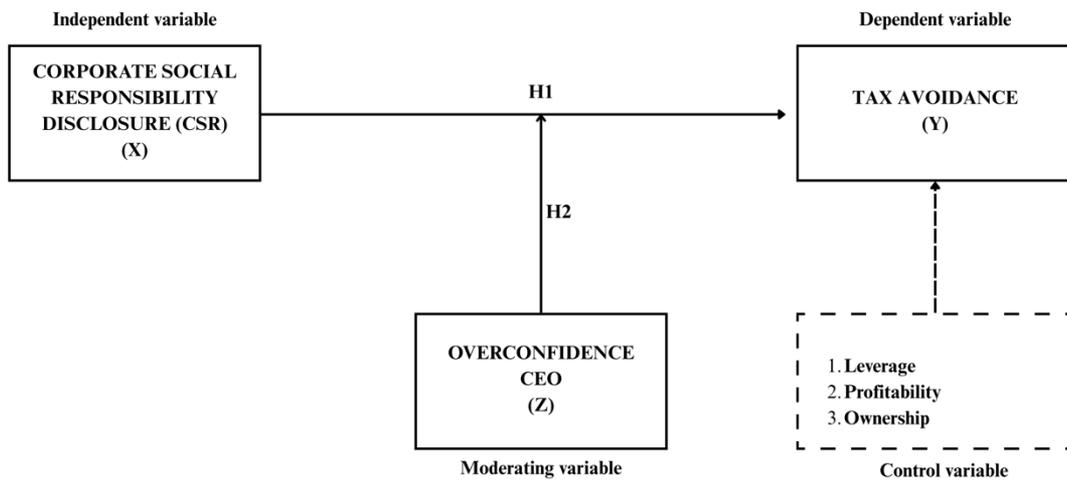


Figure 2. 1

Conceptual Framework

## 2.4. Hypothesis Formulation

### 2.4.1 The Influence of Corporate Social Responsibility Disclosure on Tax Avoidance

Corporate Social Responsibility (CSR) disclosure has become a strategic instrument in modern business practices, not only as a symbol of social compliance but also as a means to build a positive image, enhance legitimacy, and strengthen stakeholder trust. Within the framework of Upper Echelons Theory, strategic decisions such as CSR implementation and corporate tax policies are heavily influenced by the psychological traits and personal values of top-level executives. The CEO, as the central figure in strategic decision-making, plays a critical role in determining whether CSR is executed as a sincere ethical commitment or merely as a tool for symbolic legitimacy. Overconfidence Theory further explains that executives with excessive self-confidence are more likely to take extreme measures, including using CSR initiatives as a shield to justify aggressive tax avoidance practices. In this context, CSR holds dual potential: either as a disciplining mechanism that promotes tax compliance, or as a reputational device used to obscure unethical fiscal behaviour.

Empirical findings by (Gu & Wang et al., 2023) as well as (Karavitis et al., 2025) support the notion that CSR can serve as a form of strategic legitimacy. Their studies show that companies with extensive environmental disclosures or high CSR ratings tend to engage more actively in tax avoidance, utilizing CSR to mitigate reputational risks and reduce the likelihood of regulatory scrutiny. (Karavitis et al., 2025) further emphasize that the relationship between CSR and tax avoidance may be moderated by CEO characteristics, suggesting that executive traits such as overconfidence influence how CSR is used in fiscal strategies.

In contrast, other studies suggest the opposite direction. (Bhattacharyya & Imam, 2024), employing a machine-learning approach, found that growth in CSR expenditure is negatively correlated with tax aggressiveness. This suggests that consistent and strategically integrated CSR practices may lead companies to become more tax compliant due to heightened reputational pressures, stronger stakeholder oversight, and a long-term orientation toward sustainability. Similarly, (Mkadmi & Ben Ali, 2024) found that active CSR involvement reduces tax avoidance, as it increases stakeholder expectations and external monitoring. Research by (Andriyani, 2023) also confirmed that strong CSR performance is associated with higher levels of tax compliance, as reflected in increased Cash Effective Tax Rates (CETR).

However, not all studies demonstrates a significant relationship. (Rizky Nurtanto, 2024), for instance, found no significant influence of CSR on tax avoidance in food and beverage manufacturing companies listed on the Indonesian Stock Exchange. This may be due to the fact that CSR in such firms is still largely driven by regulatory compliance rather than strategic integration into business objectives.

Taking into account this diverse body of theoretical and empirical evidence, it can be concluded that the relationship between CSR and tax avoidance is complex and context-dependent. CSR initiatives that are genuinely driven by ethical commitment and strong managerial integrity have the potential to reduce tax avoidance. On the other hand, when CSR is implemented merely for symbolic purposes by opportunistic management particularly under the leadership of overconfident CEOs, it may serve to obscure aggressive fiscal strategies under a

positive public image. Therefore, the hypothesis proposed in this study is as follows:

**H<sub>1</sub>:** Corporate Social Responsibility (CSR) disclosure is positively associated on tax avoidance

#### **2.4.2 The Moderation CEO Overconfidence between Corporate Social Responsibility Disclosure and Tax Avoidance**

The relationship between Corporate Social Responsibility (CSR) disclosure and tax avoidance is not solely influenced by a company's sustainability strategies, but also significantly shaped by the personal characteristics of its top executives, particularly the CEO as the primary decision-maker. According to the Upper Echelons Theory, strategic decisions made by an organization are often reflections of the experiences, values, and psychological attributes of those in executive positions. One of the most widely studied traits in this context is overconfidence, which refers to a CEO's excessive self-assurance in their own judgement and capabilities. Overconfident CEOs are typically highly optimistic about the outcomes of their decisions, less sensitive to risk, and more inclined to take bold or extreme actions including those related to CSR implementation and corporate tax strategies.

A study by (Karavitis et al., 2025) reveals that companies with high CSR disclosure tend to engage in more aggressive tax avoidance when led by an overconfident CEO. This suggests that CSR can be used strategically as a tool of legitimacy to obscure questionable fiscal behavior. Similarly, (Jevita & Siregar, 2023a) found that while CEO overconfidence may not have a direct effect on tax avoidance, it can weaken the negative impact of CSR on tax avoidance. Overconfident CEOs often perceive CSR more as a symbolic gesture rather than a sincere ethical obligation, thereby positioning CSR initiatives as reputational tools than long-term sustainability commitments.

These findings are further supported by (Sugiono & Anggraeny, 2022) , whose study on Indonesian manufacturing firms indicates that CEO overconfidence is

negatively associated with tax avoidance though not statistically significant. Nevertheless, the direction of this relationship highlights the potential influence of CEO traits, particularly when considered in conjunction with other managerial factors such as CSR. (Angeline et al., 2022) add that overconfident CEOs tend to exhibit opportunistic behavior, favoring high-risk decisions while disregarding the role of external monitoring mechanisms. Consequently, CSR which ideally functions as a restraint on aggressive tax strategies may lose its effectiveness under such dominant psychological leadership.

In addition, (Ainy Qurratu, 2021) observed that overconfident CEOs tend to focus on short-term performance outcomes, often neglecting the long-term value of CSR initiatives. These CEOs are likely to perceive CSR as a nonessential cost with limited immediate financial returns, which may result in underutilization or symbolic implementation of CSR. As a result, CSR's ability to deter tax avoidance may be undermined or even exploited as a tool for external legitimacy.

Complementing these studies, (Adinda Alya, 2024) found that overconfident CEOs have a positive influence on tax avoidance practices within Indonesian Islamic banking institutions. The study implies that excessive CEO self-confidence can drive more aggressive fiscal strategies, motivated by the desire to meet short-term financial targets or a lack of concern for long-term governance and compliance. This finding reinforces the view that CEO overconfidence may play a significant moderating role in the effectiveness of CSR in fostering corporate tax compliance.

Considering the above theoretical and empirical insights, it can be concluded that the overconfidence of a CEO holds the potential to moderate the relationship between Corporate Social Responsibility (CSR) disclosure and tax avoidance, either by weakening its impact or altering the direction of the relationship altogether. Therefore, the second hypothesis proposed in this study is as follows:

**H<sub>2</sub>:** CEO Overconfidence moderates the relationship between Corporate Social Responsibility (CSR) disclosure and tax avoidance.

### **III. RESEARCH METHODOLOGY**

#### **3.1. Type of Research and Data Sources**

##### **3.1.1 Type of Research**

This research employs a quantitative method intended to empirically investigate the effects and interactions among the variables being studied. The selection of this quantitative approach is due to its focus on measurable information and statistical analysis to investigate the links between Corporate Social Responsibility (CSR) disclosure, CEO Overconfidence and Tax Avoidance. This study has an explanatory nature, as it not only looks into the relationships among the variables but also examines both direct and moderating effects within the proposed framework. The information utilized in this study is secondary data, derived from publicly accessible documents including annual reports, sustainability reports, and financial statements. This strategy enables researchers to gain an impartial and structured insight into corporate actions related to CSR initiatives, leadership characteristics, and tax strategies within the consumer non-cyclicals sectors in Indonesia.

##### **3.1.2 Data Sources**

The focus of this study is on companies listed in the consumer non-cyclicals sector on the Indonesia Stock Exchange (IDX) from 2022 to 2024. Based on IDX's industry categorization, this sector encompasses businesses dealing in essential consumer goods like food and beverages, household items, and healthcare areas that experience minimal seasonal variations. The research population comprises 121 companies. The gathered data encompass details related to CSR disclosure,

CEO traits, and financial metrics pertinent to tax avoidance. The principal data sources for this study include:

1. Annual Reports and Sustainability Reports accessible via the official IDX website ([www.idx.co.id](http://www.idx.co.id))
2. The official websites of the individual companies
3. Additional sources such as financial databases and reputable financial news repositories.

All data referenced in this study is publicly available and officially released, promoting transparency and enabling subsequent replication in academic research.

## **3.2. Population and Sample**

### **3.2.1 Population**

The population in this study consists of 121 companies classified under the consumer non-cyclicals sector and listed on the Indonesia Stock Exchange (IDX) during the period 2022 to 2024. This sector includes various sub-industries such as food and beverages, household and personal care products, pharmaceuticals, and other essential consumer goods. These companies were selected as the population because of their relatively stable market behavior and high level of public accountability, particularly in terms of CSR disclosure and tax practices. The study aims to provide a comprehensive overview of corporate behavior within this sector, especially regarding tax avoidance strategies and the role of executive leadership.

### **3.2.2 Sample**

The sample represents a subset of the population and serves as the primary unit of analysis in this research. The use of a sample allows for more manageable data collection and analysis while maintaining the ability to generalize findings to the broader population. The sample was determined using purposive sampling, a non-probability sampling method in which companies were selected based on specific

criteria relevant to the research objectives. These criteria include the availability of annual and sustainability reports, complete financial data, and CEO-related information for the years 2022-2024 as follows:

Table 3.2

Research Sample

No	Sample Explanation	Total Sample
1	Consumer non-cyclicals companies listed on the Indonesian Stock Exchange (IDX) for the period 2022-2024	121
2	Consumer non-cyclicals companies that experienced trading suspension on the Indonesian Stock Exchange (IDX) for the period 2022-2024	(16)
3	Consumer Non-cyclicals companies that did not report financial reports on the Indonesian Stock Exchange (IDX) for the period 2022-2024	(9)
4	Consumer Non-cyclicals companies that reported losses for the period 2022-2024	(28)
5	Consumer Non-cyclicals companies that did not report sustainability reports for the period 2022-2024	(11)
Number of companies included in the sample		57
Number of observations		3
Number of final data used in the study		171

The final number of companies included in the sample will be determined after data screening and verification, ensuring that each selected firm meets the inclusion standards for reliable and consistent analysis. Based on the sample selection results based on predetermined criteria, 57 non-cyclical consumer companies were selected for a period of three years. This resulted in a total of 171 samples.

### 3.3. Operational Variable Definition

An operational definition provides a clear and specific explanation of the way each variable in this study is assessed and understood within the particular context of the

research (Truijen et al., 2025). It converts abstract ideas into measurable indicators that can be seen counted, and tested through statistical methods. By creating uniform standards for measurement, the researcher guarantees that every variable is evaluated uniformly across all data sources, which facilitates objective comparison and scientific evaluation. In this research, the definition of operations are designed to correspond with the framework of the study and its hypotheses. Each variable, Corporate Social Responsibility Disclosure (CSR), CEO Overconfidence, and Tax Avoidance is defined using indicators obtained from earlier empirical research and tailored to the accessibility of secondary data from annual reports, sustainability reports, and financial statements of firms in the consumer non-cyclicals sector listed on the Indonesian Stock Exchange for the period of 2022-2024.

Table 3.3  
Research Sample

NO	Variable	Definition	Indicator
1.	Corporate Social Responsibility Disclosure (X)	Corporate Social Responsibility (CSR) disclosure is a strategic commitment by companies to conduct business activities that not only pursue economic profit but also take into account and be responsible for the social, environmental, and ethical impacts of their operations (García-Rivas et al., 2023)	GRI Standards including: <ol style="list-style-type: none"> <li>1. Economic (GRI 200)</li> <li>2. Environmental (GRI 300)</li> <li>3. Social (GRI 400)</li> </ol> (Dewa Ayu Eka Pertiwi et al., 2024)
2.	Tax Avoidance (Y)	Tax avoidance is a practice undertaken by companies to legally reduce their tax obligations, often by exploiting loopholes, utilizing complex financial arrangements, or engineering transactions that, while technically lawful, do	Effective Tax Rate Cash (Cash ETR) (Wahyu Utami & Kurniyawati, 2025)

		not align with the spirit of intent of tax regulations (Sarhan et al., 2024)	
3.	Overconfidence CEO (Z)	Overconfidence CEO is a cognitive bias where a CEO has an inflated belief in their management skills and the correctness of their decisions, resulting in an unwarranted assurance in the success of their strategic choices (Sharpe et al., 2023)	High OCS (Karavitis et al., 2025)

The application of operational definitions in this study is essential for connecting theoretical ideas with practical examination. It offers clear understanding, allows for repetition and improves the trustworthiness and consistency of the results.

### 3.3.1 Dependent Variable

The dependent variable, often denoted as  $Y$ , refers to the outcome or effect that arises from changes in the independent variable. According to (Sugiyono, 2023), any increase or decrease in the dependent variable is expected to cause a proportional change in the dependent variable. In essence, the dependent variable captures the impact or result of the variations introduced by the independent variable in a research model.

In this study, the dependent variable is Tax Avoidance, which refers to a company's effort to minimize its tax burden through legal means, though often characterized by aggressive fiscal behavior. (Gujarati & Porter, 2009) emphasizes that, within econometrics, the dependent variable is influenced by one or more independent variables and serves as the primary focus for analyzing casual relationships within a regression model.

Tax avoidance is measured using the Cash Effective Tax Rate, calculated as follows:

$$\text{Cash ETR} = \frac{\text{Cash Tax Paid}}{\text{Pretax Income}}$$

A lower CETR indicates a higher likelihood of tax avoidance practices. This proxy is widely considered to better reflect the actual amount of tax paid in cash, offering a more accurate representation of tax avoidance than accrual-based measures, which can be affected by accounting adjustments. This approach is consistent with the methodology employed in (Wahyu Utami & Kurniyawati, 2025) which utilizes CETR to evaluate how effectively a firm fulfills its tax obligations.

Therefore, CETR serves as a key indicator in assessing a company's tax strategy and the effectiveness of its fiscal governance. The data for this variable is sourced from publicly available, audited annual financial reports accessed through the official websites of the Indonesia Stock Exchange (IDX) and the respective companies.

### 3.3.2 Independent Variable

The independent variable, commonly denoted as  $X$ , refers to a factor that influences or causes changes in the dependent variable. According to (Sugiyono, 2023), the independent variable is one that affects the dependent variable, whether the effect is positive or negative. Similarly, (Gujarati & Porter, 2009) emphasizes that, in the context of econometrics, independent variables act as predictors that help explain variations observed in the dependent variable.

In this study, the independent variable is Corporate Social Responsibility (CSR) disclosure. CSR disclosure reflects the extent to which a company discloses and implements its responsibilities across economic, environmental, and social dimensions. The level of CSR disclosure is measured using the Corporate Social Responsibility Index (CSRI), which is developed based on the Global Reporting

Initiative (GRI) Standards, particularly the GRI 200 (Economic), GRI 300 (Environmental), and GRI 400 (Social) series.

The formula used to calculate the index is as follows:

$$CSRIx = \frac{\sum Xyx}{n_x}$$

$CSRIx$  = The disclosure breadth index of company  $x$

$\sum Xyx$  = Total number of GRI disclosure items (from GRI 200, 300 and 400) reported by company  $x$ , with each disclosed item scored as 1 and 0 if not disclosed

$n_x$  = The total number of GRI disclosure items used in this study (89 items in total)

A higher  $CSRIx$  score indicates a broader level of CSR disclosure, reflecting the company's greater commitment to sustainability and social accountability. The CSR data are collected from publicly available documents such as annual reports and sustainability reports published by the respective companies.

### 3.3.3 Moderating Variable

In quantitative research, a moderating variable is one that influences the strength or direction of the relationship between an independent and a dependent variable. According to (Sugiyono, 2023), a moderating variable serves to either strengthen or weaken the effect of the independent variable on the dependent variable. It is also referred to as a second independent variable due to its role in interacting with the primary variables of the models.

(Ghozali, 2021) categorizes moderating variables into three types:

1. *Homologizer Moderator*, this type does not interact with either the independent or dependent variable but is used to divide the sample into homogeneous subgroups to reduce prediction error.
2. *Quasi Moderator*, a variable that is associated with the independent and/or dependent variable and also interacts with the independent variable, playing a dual role

3. *Pure Moderator*, a variable that has no direct relationship with either the independent or dependent variable, but interacts with the independent variable to influence the relationship.

In economic modeling, (Gujarati & Porter, 2009) state that the inclusion of a moderating variable provides a more nuanced understanding of how different factors interact in a regression framework. It allows researchers to capture the conditional effects of the independent variable on the dependent variable.

In this study, the moderating variable used is the Overconfident CEO, which refers to a chief executive officer's psychological trait characterized by excessive optimism and self-assurance in decision-making. Overconfident CEOs often underestimate risks, overestimate their ability to control outcomes, and are more inclined to engage in aggressive strategic actions including decisions involving CSR disclosure and tax policies.

To measure this variable, according to (Karavitis et al., 2025) the study applies the High Overconfidence Score (HighOCS), calculated by comparing the compensation of the top three highest-paid executives to the total compensation of all executives within the firm. The formulas used are:

$$HighOCS = \left( \frac{Total\ Salary\ of\ Top\ 3\ Managers}{Total\ Salary\ of\ All\ Managers} \right) \times 100$$

A higher score reflects a greater concentration of executive compensation among a few individuals at the top, indicating dominant influence and potential overconfidence. This metric serves as a proxy for identifying firms led by overconfident CEOs. The top three managers refer to members of the Board of Directors, as they are directly responsible for strategic decision-making and daily operational control under Indonesia's two-tier governance system (Kurniawati, 2025).

In the context of this research, Overconfident CEO is expected to moderate the relationship between Corporate Social Responsibility (CSR) Disclosure and Tax Avoidance. Specifically, it explores whether CEO overconfidence alters the effectiveness of CSR disclosure in curbing tax avoidance practices. Given the

behavioral and psychological influence of top executives on corporate decision-making, this moderating variable adds depth to the analysis by accounting for variations in leadership style and strategic risk-taking.

### **3.3.4 Control Variable**

Control variables are included in a study to ensure that the relationship between the independent and dependent variables is not influenced by external factors that are not the focus of the research. According to (Sugiyono, 2023), control variables are those that are held constant or regulated so that the observed effect between the independent and dependent variables is not distorted by outside influences. (Gujarati & Porter, 2009) also emphasize that in econometric models, controlling relevant variables helps obtain unbiased and efficient estimates of the independent variable's effect.

In this study, three control variables are used: Leverage, Profitability, and Ownership Structure. These variables are considered essential, as previous empirical research has shown their significant roles in influencing corporate tax avoidance strategies.

#### **3.3.4.1 Leverage**

According to (Devi, 2024) leverage indicates the extent to which a company finances its assets through debt. Highly leveraged firms tend to face significant interest obligations, which may encourage them to engage in tax avoidance to ease their financial burden. Therefore, leverage is used as a control to ensure the clarity of the main causal relationship being studied. The formula is as follows:

$$Leverage = \frac{Total Liabilities}{Total Assets}$$

#### **3.3.4.2 Profitability**

According to (Fridatien et al., 2024) profitability measures a company's ability to generate earnings from its assets. Firms with higher profitability are usually subject

to higher tax liabilities, which may prompt them to engage in tax minimization strategies. Controlling for profitability helps isolate the net effect of CSR disclosure on tax avoidance. The formula is as follows:

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income After Tax}}{\text{Total Assets}}$$

### 3.3.4.3 Ownership (*Institutional Ownership*)

According to (Jurnali, 2024) institutional ownership reflects the proportion of a company's shares held by institutions such as investment firms, banks, or pension funds. These institutional investors often serve as external monitors and are capable of limiting opportunistic managerial behavior, including aggressive tax practices. Therefore, ownership is controlled to assess the genuine effect of Corporate Social Responsibility (CSR) disclosure on tax avoidance. The formula is as follows:

$$\text{Institutional Ownership} = \frac{\text{Shares Held by Institutions}}{\text{Total Outstanding Shares}} \times 100\%$$

## 3.4. Data Analysis Techniques

This study employs a *multiple linear regression analysis* to examine the direct relationship between the independent and dependent variables. In addition, a *Moderated Regression Analysis* (MRA) is utilized to assess the moderating effect of the third variable on the primary relationship. This section also outlines the descriptive analysis used to portray the general characteristics of the research data, the classical assumption tests to ensure the validity of the regression model, and the procedures for hypothesis testing through statistical methods.

### 3.4.1 Descriptive Statistic Analysis

According to (Gujarati & Porter, 2009), descriptive statistical analysis serves as a foundational technique used to summarize, present, and describe the main characteristics of a dataset. This method includes measures such as the mean, median, standard deviation, minimum and maximum values, as well as data

distribution indicators like skewness and kurtosis. Descriptive statistic allows researchers to gain an initial understanding of data patterns and trends, helping to detect irregularities, outliers, or unusual distributions. (Gujarati & Porter, 2009) emphasizes that before moving forward with more advanced econometric procedures such as regression analysis, it is essential to first examine the basic structure and distribution of the data to ensure the validity and reliability of further statistical inference.

In line with this, (Sugiyono, 2023) explains that descriptive statistical analysis is employed to describe or illustrate collected data as it is, without drawing generalized conclusions. It focuses on organizing data systematically so that it can be easily understood by readers.

### **3.4.2 Classic Assumption Test**

Classic assumption testing, as explained by (Gujarati & Porter, 2009) , refers to a series of diagnostic tests in linear regression analysis that ensure the model satisfies the assumptions of the Ordinary Least Squares (OLS) method. These include the absence of autocorrelation, heteroscedasticity, multicollinearity, and ensuring that residuals are normally distributed. When these assumptions are violated, the estimation results may become biased and inconsistent. Similarly, (Ghozali, 2021) describes classical assumption testing as a fundamental step to assess the feasibility of a regression model before further interpretation is conducted.

#### **3.4.2.1 Normality Test**

Normality testing is a procedure used to assess whether the data or residuals in a regression model are normally distributed. According to (Ghozali, 2021), a good regression model is indicated by normally distributed residuals, as this condition minimizes the risk of bias in parameter estimation. In this study, the normality test is conducted using the *Kolmogorov-Smirnov*. The data is considered to be normally distributed if the probability value from the *Chi-Square Test* ( $\text{Prob} > \text{Chi}^2$ ) is greater than 0.05. Conversely, if the probability value is less than 0.05, the data is deemed not normally distributed.

However, based on the *Central Limit Theorem*, as explained by (Gujarati & Porter, 2009) , if the sample size is sufficiently large ( $n > 30$ ), the normality assumption can be relaxed. This is because the sampling distribution of the estimator will tend to approach normality, even if the underlying data itself is not perfectly normally distributed.

#### **3.4.2.2 Multicollinearity Test**

In a classical linear regression model, there should be no perfect linear relationship among the independent variables, a condition known as multicollinearity. According to (Ghozali, 2021) , multicollinearity arises when one independent variable can be linearly predicted from the others with a substantial degree of accuracy. This issue is commonly identified using the *Tolerance* and *Variance Inflation Factor* (VIF) values. A *Tolerance* value below 0.10 or a *VIF* value greater than 10 typically indicates high multicollinearity. These two measures are inversely related, where

$$VIF = \frac{1}{Tolerance}$$

(Gujarati & Porter, 2009) further explain that while multicollinearity does not bias the coefficient estimates, it inflates the variances of those estimates, making it difficult to determine the individual effect of each predictor. Therefore, testing for multicollinearity is essential to ensure the robustness and interpretability of the regression model.

#### **3.4.2.3 Heteroscedasticity Test**

The heteroscedasticity test is conducted to determine whether the residual variance is unequal across observations in the regression model. A good regression model assumes that the error terms exhibit constant variance, known as homoscedasticity. According to (Ghozali, 2021), the presence of heteroscedasticity may lead to inefficient parameter estimations. Similarly, (Gujarati & Porter, 2009) emphasize that heteroscedasticity can distort the efficiency of *Ordinary Least Squares* (OLS) estimators by producing biased standard errors. In this study, the *Breusch-Pagan*

*Test* is employed to detect heteroscedasticity. If the (P-Value) > 0.05, it can be concluded that the model does not exhibit heteroscedasticity.

#### **3.4.2.4 Autocorrelation Test**

Autocorrelation testing aims to determine whether there is a relationship between the error term in period  $t$  and the error term in the previous period ( $t-1$ ) within a linear regression model. Autocorrelation typically arises in time-series data, where sequential observations are likely to be interdependent, causing the residuals from one period to be correlated with those of another. According to (Gujarati & Porter, 2009), the presence of autocorrelation violates the classical assumption that error terms should be random and uncorrelated, leading to inefficient estimates and compromised statistical inference. (Ghozali, 2021) also emphasizes that a good regression model should be free from autocorrelation, as residuals are expected to be independent across time. In this study, the *Durbin-Watson* (DW) test is employed to detect the presence of autocorrelation. A DW value close to 2 indicates that the residuals are not autocorrelated.

#### **3.4.3 Multiple Linear Regression Analysis**

To investigate the direct impact of Corporate Social Responsibility (CSR) on Tax Avoidance, this study applies a multiple linear regression model. This statistical technique is designed to measure the effect of one main independent variable on a dependent variable while accounting for the influence of several other control variables. As noted by (Gujarati & Porter, 2009), multiple linear regression helps isolate the individual contribution of each explanatory variable by holding the others constant in the model.

In this research, the dependent variable is Tax Avoidance, which is measured using the Cash Effective Tax Rate (CETR). The main independent variable is the level of CSR, as assessed through the GRI-based index. The model also includes control variables, leverage, profitability and institutional ownership to control for firm specific factors that could also influence Tax Avoidance. The regression equation is expressed as:

$$TA = \alpha + \beta_1(CSR) + \beta_2(LEV) + \beta_3(ROA) + \beta_4(OWN) + \varepsilon$$

Where:

*TA* = Tax Avoidance

*CSR* = Corporate Social Responsibility

*LEV* = Leverage

*ROA* = Profitability

*OWN* = Institutional Ownership

$\alpha$  = Intercept

$\beta_1, \beta_2, \beta_3, \beta_4$  = Regression Coefficient

$\varepsilon$  = Error Term

#### **3.4.4 Moderated Regression Analysis**

To evaluate whether the effect of Corporate Social Responsibility (CSR) disclosure on Tax Avoidance is moderated by CEO Overconfidence, this study applies *Moderated Regression Analysis* (MRA). MRA is a type of multiple regression analysis used when researchers aim to test whether the interaction between an independent variable and a moderator variable significantly influences the dependent variable. According to (Gujarati & Porter, 2009), interaction terms in regression are included to capture changes in the slope of the independent variable as the level of the moderator changes. Similarly, (Ghozali, 2021) emphasizes that MRA allows researchers to examine whether the presence of a moderator strengthens, weakens, or alters the direction of the relationship between predictor and outcome variables.

In this research, the independent variable is CSR disclosure, the dependent variable is Tax Avoidance, and the moderator is CEO Overconfidence. Additionally, control variables including Leverage, Profitability, and Institutional Ownership are incorporated to account for firm-specific factors that may influence Tax Avoidance. The moderated regression equation is formulated as follows:

$$TA = \alpha + \beta_1(CSR) + \beta_2(OC) + \beta_3(CSR \times OC) + \beta_4(LEV) + \beta_5(ROA) + \beta_6(OWN) + \varepsilon$$

Where:

$TA$  = Tax Avoidance

$CSR$  = Corporate Social Responsibility

$OC$  = Overconfident CEO

$LEV$  = Leverage

$ROA$  = Profitability

$OWN$  = Institutional Ownership

$\alpha$  = Intercept

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$  = Regression Coefficient

$\varepsilon$  = Error Term

### 3.4.5 Statistical Hypothesis Test

The purpose of statistical hypothesis testing is to examine and measure the strength and direction of the influence between the independent and dependent variables, including the role of moderating and control variables. According to (Gujarati & Porter, 2009), hypothesis testing in regression analysis serves to determine whether the relationships observed in the data are statistically significant or merely due to chance. Three types of tests are employed in this study: The *T*-test, *F*-test, and *Coefficient of Determination* ( $R^2$ ). The *T*-test is used to assess the partial effect of each independent variable on the dependent variable (Ghozali, 2021).

The *F*-test evaluates whether the independent variables collectively have a significant effect on the dependent variable. Meanwhile, the *Coefficient of Determination* ( $R^2$ ) measures the extent to which the independent variables explain the variation in the dependent variable (Sugiyono, 2023). A higher ( $R^2$ ) value indicates a stronger explanatory power of the regression model in capturing the phenomenon under study.

### 3.4.5.1 Significance Simultaneous Test (F-Test)

The *F*-test is conducted to assess whether the independent variables, as a group, have a statistically significant influence on the dependent variable. In regression analysis, it is used to evaluate the overall significance of the model. According to (Gujarati & Porter, 2009), a good regression model should not only fit the sample data well but also demonstrate that the explanatory variables collectively explain variations in the dependent variable. The *F*-test is typically found in the *ANOVA* (Analysis of Variance) section of the regression output. A significant *F*-value indicates that at least one of the explanatory variables provided meaningful information about the dependent variable. The test uses a conventional significance level of 5% ( $\alpha = 0.05$ ) to draw conclusions.

The criteria for the *F*-test are as follows:

1. If  $p\text{-value} < 0.05 \rightarrow$  reject  $H_0$  and  $H_1$  accepted, it means the independent variables jointly have a significant effect on the dependent variable.
2. If  $p\text{-value} > 0.05 \rightarrow$  fail to reject  $H_0$ , it means the independent variables do not have a significant joint effect on the dependent variable.

### 3.4.5.2 Significance Parameter Individual (T-test)

The *T*-test is used to evaluate the effect of each independent variable on the dependent variable, meaning it tests whether each explanatory variable individually has a statistically significant influence on the outcome variable. According to (Gujarati & Porter, 2009), the *T*-test is a fundamental statistical tool to determine whether the estimated coefficient of a variable is significantly different from zero, indicating that the variable meaningfully contributes to the regression model. (Ghozali, 2021) also highlights that the *T*-test is essential in hypothesis testing when assessing the effect of a single predictor variable while holding others constant.

The hypothesis is evaluated by observing the significance value in the Coefficient table of the regression output. A common significance threshold of 5% ( $\alpha = 0.05$ ) is used, corresponding to a 95% confidence level. If the significance value meets the required criteria, the null hypothesis ( $H_0$ ) is rejected in favor of the alternative ( $H_a$ ).

The criteria for the *T*-test are as follows:

1. If  $p\text{-value} < 0.05 \rightarrow$  reject  $H_0$ ,  $H_a$  accepted, it means the independent variable significantly affects the dependent variable.
2. If  $p\text{-value} > 0.05 \rightarrow$  fail to reject  $H_0$ ,  $H_a$  rejected, it means the independent variable does not significantly affect the dependent variable.

### 3.4.5.3 Coefficient of Determination ( $R^2$ )

The *Coefficient of Determination* ( $R^2$ ) is employed to evaluate how well the independent variables collectively explain the variability of the dependent variable in a regression model. According to (Gujarati & Porter, 2009),  $R^2$  serves as a measure of the goodness of fit, indicating the proportion of the variance in the dependent variable that is predictable from the independent variables. A higher  $R^2$  value suggests that the explanatory variables offer substantial predictive power, while a lower value implies limited explanatory capacity.

As stated by (Ghozali, 2021), the adjusted  $R^2$  is particularly useful when multiple predictors are involved, as it adjusts for the number of variables in the model, preventing overestimation of the model's explanatory power. The  $R^2$  value ranges from 0 to 1, where a value close to 1 indicates that the model provides nearly all the information needed to predict the outcome variable. Conversely, a value close to 0 signifies that the model explains only a small portion of the variation.

Furthermore, (Chin, 1998) provides a guideline for interpreting  $R^2$  structural models:

1.  $R^2 > 0.67$  is considered strong
2.  $0.33 < R^2 < 0.67$  is considered moderate
3.  $0.19 < R^2 < 0.33$  is considered weak

## V. CONCLUSION & SUGGESTIONS

### 5.1. Conclusion

This study examines the effect of Corporate Social Responsibility (CSR) disclosure on Tax Avoidance, with CEO Overconfidence serving as a moderating variable. The research sample consist of non-cyclical consumer goods sector companies listed on the Indonesia Stock Exchange (IDX) during the 2022-2024 period that meets the sample criteria and data completeness requirements. Based on the analyses and discussions presented in the previous chapter, it is concluded that Corporate Social Responsibility (CSR) disclosure has a statistically insignificant effect on Tax Avoidance which serves as a legitimacy and reputational mechanism rather than a determinant of tax avoidance and CEO Overconfidence significantly moderates the relationship between Corporate Social Responsibility (CSR) disclosure and Tax Avoidance in a negative direction which implies that overconfident CEOs tend to restrain aggressive tax avoidance practices to protect corporate reputation and maintain social legitimacy.

### 5.2. Limitation

This study has several limitations. First, the data on Corporate Social Responsibility (CSR) disclosure were obtained from companies' sustainability reports, yet not all firms in the consumer goods non-cyclical sector publish such reports. This limited the number of samples available for analysis and may have affected the representativeness of the findings. Second, the study covers a relatively short observation period of three years (2022-2024) which may not fully capture the long-

term trends and dynamics of Corporate Social Responsibility (CSR) disclosure and Tax Avoidance practices.

### **5.3. Suggestion**

Based on the findings of this research, several recommendations are proposed for future research and relevant stakeholders.

1. For the Directorate General of Taxes, it is recommended to strengthen and refine tax regulations to close potential loopholes that may be exploited by taxpayers to engage in Tax Avoidance practices.
2. For future researchers, it is suggested to expand the scope of the study by increasing the number of companies included in the sample or extending the observation period, so that the results can provide a more comprehensive and accurate representation of the phenomenon.

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