DOES THE DISCLOSURE OF ISLAMIC CORPORATE SOCIAL RESPONSIBILITY, ISLAMIC CORPORATE GOVERNANCE, PROFITABILITY, AND BANK SIZE AFFECT TAX AVOIDANCE IN ISLAMIC COMMERCIAL BANKS IN INDONESIA?

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Abstract— This paper investigates the influence of Islamic Corporate Social Responsibility (ICSR), Islamic Corporate Governance (ICG), profitability, and bank size on tax avoidance in Islamic Commercial Banks in Indonesia. This paper introduces a novel perspective on the factors contributing to tax avoidance within Indonesia's Islamic finance framework. While the general notion of tax management is recognized, this study innovatively explores the intersection of Islamic principles, corporate governance, and tax practices, providing insights that have not been adequately explored in prior research. The study employs a panel data regression analysis, utilizing data from 13 Islamic Commercial Banks spanning 2017-2022, totaling 58 observations. This research approach enables an in-depth investigation into the relationships between ICSR disclosure, ICG, profitability, bank size, and tax avoidance. The empirical findings indicate that ICSR disclosure, the proportion of independent commissioners, and the audit committee positively influence tax avoidance practices. Conversely, the Sharia Supervisory Board and bank size negatively correlate with tax avoidance. Surprisingly, as measured by Return on Assets (ROA), profitability does not significantly impact tax avoidance decisions. This study underscores the intricate connections between Islamic corporate practices, governance structures, and tax avoidance strategies in Islamic Commercial Banks. The research highlights the significance of ICSR disclosure, corporate governance effectiveness, and the presence of religious oversight in shaping transparent and accountable tax practices. Furthermore, the research cautions against overreliance on profitability as a determinant of tax avoidance behaviors.

Keywords: Bank Size; Islamic Corporate Governance, Profitability; Islamic Corporate Social Responsibility; Tax Avoidance

1. INTRODUCTION

1.1 Research Background

Taxes are the country's primary and largest source of income, derived from the citizens. Government revenue through the taxation sector holds the highest percentage among other sources of income in Indonesia (Tandean, 2016). Taxes serve as a source of state income that provides benefits to finance government expenditures (budgetary function). They drive the gears of governance and contribute to national development funding while supporting economic activities, acting as tools for regulating and implementing government policies in social and economic aspects through public facilities for the community (Mardiasmo, 2013). The state's tax revenue has increased over the past few years, yet it has not been optimal as it has not met the government's set targets. As a result, the potential tax revenue has not been maximized (Moeljono, 2020). An overview of the target and actual taxation figures in Indonesia for 2017-2020 is provided in Table 1.

Table 1. The phenomenon of Tax Revenue Target and Realization in Indonesia for the Period 2017-2020 (in Trillion Rupiahs)

Tax Revenue	2017	2018	2019	2020
Tax Revenue Target	1,283.6	1,424	1,577.56	1,198.82
Tax Revenue Realization	1,151.03	1,315.51	1,332.06	1,069.98
Tax Revenue Percentage	89.67%	92.24%	84.44%	89.25%

Source: Directorate General of Taxes (DJP) Performance Report for the years 2017-2020

As shown in Table 1, tax revenue realization demonstrates an increase, though the increments are inconsistent and tend to fluctuate. This increase is not ideal; ideally, it should correlate with the growth ratio of the population and the economy, leading to an increase in taxpayers (Moeljono, 2020). The inability to achieve these tax targets can be attributed to several factors, including company tax management practices (Munawaro & Ramdany, 2019). For the nation, taxes represent a source of revenue capable of contributing to the prosperity of the people (Huseynov & Klamm, 2012, as cited in Amalia, 2019). Conversely, companies' taxes burden their net income (Kurniasih et al., 2013). This sets the stage for a conflict of interest between the government and taxpayers, prompting companies to undertake measures to reduce their tax liabilities. Differences in interests between the fiscal authorities, who seek maximized and sustained tax revenue, and companies desiring minimal tax payments (Hardika, 2007, as cited in Kurniasih et al., 2013) give rise to tax avoidance strategies to mitigate the tax burden and reduce net income (Purbowati & Yuliansari, 2019). Such practices are motivated by maximizing shareholders' benefits (Arinta, 2019).

Various approaches, both legal and illegal, can be employed by companies to engage in tax avoidance. Pohan (2016) outlines legal strategies for reducing tax burdens: firstly, tax saving involves delaying the purchase of taxed products, thereby reducing the tax rate due to lower taxable income. Secondly, tax avoidance is a strategy for evading tax payments using gaps or ambiguities in tax regulations to minimize the tax burden (grey areas), allowing companies to avoid tax (Pohan, 2016).

The phenomenon of tax avoidance in Indonesia, highlighted in "The State of Tax Justice 2020: Tax Justice in the Time of Covid-19" by the Tax Justice Network, estimates that tax evasion in Indonesia has resulted in an estimated loss to the country of US$ 46.8 billion (IDR 68.7 trillion), of which approximately US$ 4.78 billion (IDR 67.6 trillion) is attributed to corporate tax avoidance and the remainder of US$ 78.83 million (IDR 1.1 trillion) is attributed to individual tax avoidance (nasional.kontan, 2020). Another tax-related case involved a Sharia financial institution, Bank BNI Syariah, which in 2007 was accused of tax arrears by the Directorate General of Taxes (DJP) amounting to IDR 128.2 billion for transactions conducted through murabahah contracts, including Value-Added Tax (VAT) for murabahah transactions totaling IDR 108.2 billion, along with administrative fines of IDR 20 billion (Kompas.com, 2010). Persistent tax avoidance can prove detrimental to the state's income through taxation (Khairunisa et al., 2017).

Furthermore, the responsibility of Corporate Social Responsibility (CSR) is considered as an extension of a company's commitment to act ethically and contribute to economic development, thereby improving the quality of life of employees and their families, the local community, and the environment. CSR is essential to the company's success and sustainability (Lanis & Richardson, 2011). Similarly, tax and CSR share the common ground of providing social contributions to the community. As companies become more aware of the significance of CSR, they also recognize the importance of their contribution through tax payments for the well-being of the larger community (Yoehana, 2013).

Aligning corporate governance with Islamic principles is essential to prevent companies from engaging in tax avoidance. As Zaki et al. (2019) mentioned, corporate governance implementation in Indonesia remains suboptimal, as company management, including executives, has not fully adhered to corporate governance principles. This assertion is supported by data from the Asian Corporate Governance Association (ACGA), which ranks Indonesia 12th in terms of good corporate governance implementation in Asia for 2018. This ranking is still subpar compared to neighboring countries like Singapore, Thailand, Malaysia, and the Philippines. The suboptimal ranking indicates that corporate governance implementation in Indonesia has not been fully realized. Corporate tax avoidance allows managers to act opportunistically in pursuit of short-term gains, diverting focus from long-term shareholder interests (Minnick & Noga, 2010).

Islamic Corporate Governance (ICG) is a model of Good Corporate Governance with a system and governance procedures that safeguard the rights and interests of stakeholders while adhering to Sharia principles (Iqbal & Mirrakhor, 2004). The ICG structure in this study is proxied by the proportion of independent board commissioners, the audit committee, and the Sharia Supervisory Board (Dewan Pengawas Syariah), which collectively oversee and control all activities of Islamic Commercial Banks. Riziqiyah and Pramuka (2021) found that the proportion of independent commissioners has a negative effect on tax avoidance. In contrast, Subagiastra et al. (2016), Sunarsih et al. (2019), and Triyanti et al. (2020) found that the size of the audit committee has no significant effect on tax avoidance. Conversely, Riziqiyah and Pramuka (2021) reported that the size of the audit committee negatively influences tax avoidance. Arinta (2019) and Riziqiyah and Pramuka (2021) found that the size of the Sharia Supervisory Board negatively affects tax avoidance.

Profitability refers to a company's capacity to generate earnings (Nawangsari et al., 2022). Companies with higher profitability and fewer fiscal loss compensations are more likely to experience higher effective tax rates (ETRs) (Subagiastra et al., 2016). A company's performance in generating earnings through its asset management is reflected in the Return on Assets (ROA). Higher profits signify effective business management (' Amala & Safriansyah, 2021). As profit is a taxable component, an increase in profits results in higher tax liabilities for the company. A higher ROA ratio triggers increased tax avoidance activities as companies strive to reduce their tax liabilities through tax avoidance to maximize their earnings (Triyanto & Rohmah, 2022). Prior research by Maharani and Suardana (2014), Nawangsari et al. (2022), and Sunarsih et al. (2019) found that profitability has a negative impact on tax avoidance. In contrast, Mahdiana and Amin (2020) and Sari and Kinasih (2021) found that profitability positively influences tax avoidance.

Company size is typically assessed through total assets, total equity, market value, or sales volume as the basis for categorizing companies as large or small (Machfoedz, 1994; Suwito & Herawati, 2005; Widagdo et al., 2020). The government often focuses more on larger companies, which can affect management behavior, leading to compliance or, conversely, tax avoidance (Kurniasih et al., 2013). Rusydi (2014) and Widagdo et al. (2020) found that company size does not affect tax avoidance. Dewi and Noviari (2017) and Oktamawati (2017) found that company size negatively influences tax avoidance. In contrast, Dewinta and Setiawan (2016), Dharma and Ardiana (2016), and Selviani et al. (2019) indicated that company size negatively affects tax avoidance.

This study differs from previous research in including the independent variable of Islamic Corporate Social Responsibility (ICSR) disclosure. Furthermore, earlier research has produced disparate findings (lacking consistency). The choice of Islamic Commercial Banks as the research object is motivated by the case of Bank BNI Syariah, which indicates that financial institutions with Sharia attributes are not exempt from engaging in tax avoidance activities. This study aims to analyze the influence of Islamic Corporate Social Responsibility (ICSR) disclosure, Islamic Corporate Governance (ICG), profitability, and bank size on tax avoidance in Islamic Commercial Banks in Indonesia for the period 2017-2022. This study is expected to contribute to understanding tax avoidance within Islamic finance and provide valuable insights for policymakers, regulators, and practitioners in managing tax practices in Islamic Commercial Banks.

1.2 Literature Review and Hypotheses Development

1.2.1 The Influence of Islamic Corporate Social Responsibility Disclosure on Tax Avoidance

Islamic Corporate Social Responsibility (ICSR) refers to a type of social responsibility grounded in Islamic philanthropy based on the Qur'an and Hadith, as well as Islamic economics and ethics (Cahyaningtiyas & Canggih, 2020). ICSR goes beyond legal regulations and is rooted in the relationship between Allah SWT, humans, and the environment (Khurshid et al., 2014). ICSR disclosure is intended for obtaining favorable responses and relationships with society (hablumninannas) and as accountability to Allah SWT (habluminallah). In other words, all actions taken by a company are accountable in the hereafter, leading entities to avoid engaging in aggressive tax avoidance, whether intentional or unintentional, because they recognize that Allah SWT oversees all their activities.

Hardeck and Kim (2016) explain that the relationship between social responsibility disclosure and tax avoidance also involves ethical dimensions related to expectations of commitment from corporate social responsibility. Well-executed social responsibility activities create additional expectations that the company is also committed to compliance in other areas, strengthening the company's reputation and adherence to tax payment obligations. Consistent with legitimacy theory, companies operate within societal norms and expectations; therefore, to maintain these expectations, companies strive to retain legitimacy and sustainability by fulfilling social responsibilities and avoiding tax avoidance. Companies that disclose CSR demonstrate awareness and responsibility, which implies that they are less likely to engage in tax evasion practices. Research findings from Tiarawati (2016), Amalia (2019), Indriastuti et al. (2020), Sofianty and Herlina (2020), and Ritonga (2022) indicate that CSR has a negative impact on tax avoidance. This suggests that higher CSR disclosure minimizes tax avoidance activities by companies. However, Lukmana and Puspita (2023) found that CSR does not affect tax avoidance. Based on this explanation, the formulated hypothesis is as follows:

H1: Islamic Corporate Social Responsibility disclosure has a negative impact on Tax Avoidance.

1.2.2 The Influence of the Proportion of Independent Commissioners on Tax Avoidance

An independent commissioner is an individual who is not a controlling shareholder, is not affiliated with the board of directors or supervisory board, and does not hold a director position in the related company (Cahyono et al., 2016). According to agency theory, having a higher number of independent commissioners enhances their effectiveness in monitoring and controlling corporate management behavior, reducing the likelihood of management avoiding tax payments. The absence of independent commissioner oversight increases the potential for other executives to manipulate their positions to retain their roles and gain full control over their remuneration (Solomon, 2007, cited in Arinta, 2019).

Independent commissioners ensure that the board of commissioners maximizes its monitoring efforts while overseeing the company's profit-maximization endeavors. The maximization of performance and the proportion of independent commissioners enhance the oversight function within the company, contributing to effective corporate governance. Research findings from Maharani and Suardana (2014), Pratomo and Rana (2021), Riziqiyah and Pramuka (2021), and Saputri (2018) show a negative relationship between the proportion of independent commissioners and tax avoidance. This indicates that the presence of independent commissioners effectively reduces tax avoidance activities. Therefore, the formulated hypothesis is as follows:

H2: The proportion of Independent Commissioners has a negative impact on Tax Avoidance.

1.2.3 The Influence of the Audit Committee on Tax Avoidance

The audit committee is responsible for overseeing and reviewing the financial reporting process of the company to prevent fraud by management (Putriningsih et al., 2018). The audit committee plays a role in assessing monetary issues within the organization, accounting policies, and strategies for internal control (Suyono & Farooque, 2018). This assists principals, as investors, in obtaining relevant information about the company's condition through corporate management, the agent, to avoid information asymmetry and make informed decisions. The audit committee can influence the company's management in tax avoidance through its role in supervising the financial reporting process (Sarra, 2017). According to agency theory, a higher number of audit committee members is assumed to enhance their effectiveness in overseeing the financial reporting process conducted by company management, resulting in accurate financial reporting. Therefore, the presence of an audit committee is expected to diminish the management's tendency to manipulate earnings to evade taxes. Research findings from Fadhila et al. (2017), Trisusanti and Lasdi (2018), Prihatono et al. (2019), Riziqiyah and Pramuka (2021), and Ritonga (2022) indicate a negative relationship between the audit committee and tax avoidance. This suggests that the audit committee has successfully prevented tax avoidance. Consequently, based on the explanations, the formulated hypothesis is as follows:

H3: The Audit Committee has a negative impact on Tax Avoidance.

1.2.4 The Influence of the Sharia Supervisory Board on Tax Avoidance

The Sharia Supervisory Board (DPS) is a critical element in Islamic Financial Institutions. The main responsibility of the DPS is to monitor the day-to-day operations of the Islamic financial institution to ensure Sharia compliance. The level of trust in an Islamic bank is determined by the role of the DPS in implementing Sharia compliance monitoring, which is essential for achieving Corporate Governance (CG) in banking (Chariri, 2012). The Sharia Supervisory Board impacts the lower level of tax avoidance in a company; a higher number of DPS members maximizes their ability to control and oversee all activities of the Islamic bank, reducing actions inconsistent with Islamic ethical values, such as tax avoidance. The effectiveness of the DPS in fulfilling its responsibilities is expected to enhance banking compliance with Sharia principles and, consequently, prevent practices related to tax avoidance. Research by Apriliani et al. (2021) and Oktiawati (2022) demonstrates a relationship between the Sharia Supervisory Board and tax avoidance. Additionally, the findings of Riziqiyah and Pramuka (2021) suggest that the Sharia Supervisory Board negatively affects tax avoidance. This indicates that the more effectively the DPS fulfills its supervisory role, the better the bank's compliance in fulfilling its obligations, including tax payments. Based on this explanation, the formulated hypothesis is as follows:

H4: The Sharia Supervisory Board has a negative impact on Tax Avoidance.

1.2.5 Research Model

The research model is presented in Figure 1.

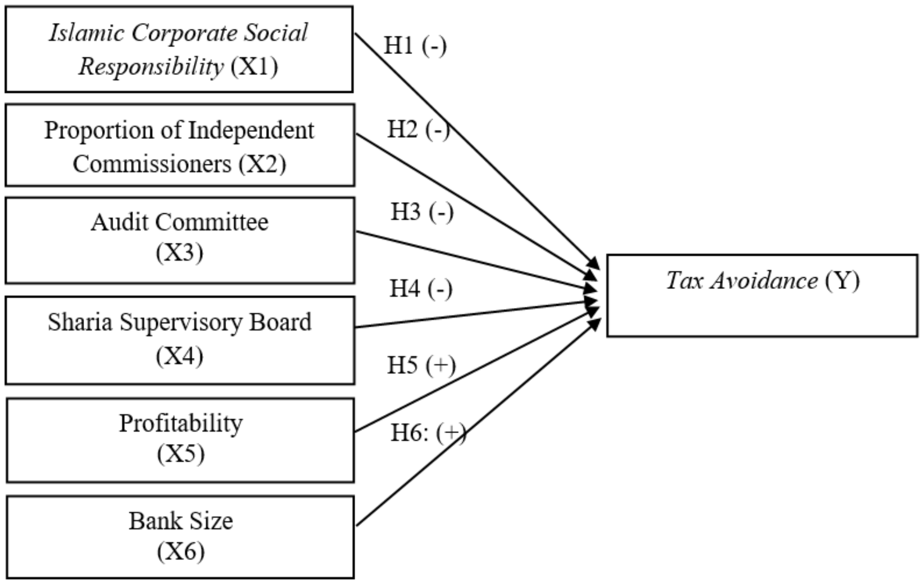

Figure 1. Research Model

2. RESEARCH METHOD

2.1 Population, Sample, and Sampling Technique

The population used in this study comprises all Islamic Commercial Banks operating in Indonesia from 2017-2022. The sampling technique employed is purposive sampling. The sampling criteria for this research are as follows: (1) Islamic Commercial Banks registered with the Financial Services Authority (OJK) during the period 2017-2022; (2) Islamic Commercial Banks that issued annual reports during the study period.

2.2 Data, Data Sources, and Data Collection Technique

The data used in this study is secondary data. This data is obtained from the annual reports or financial statements of Islamic Commercial Banks registered with the OJK from 2017-2022. The data sources for this study involve directly downloading the annual reports available on the official websites of the Islamic Commercial Banks. The data collection technique employed in this research is the documentation method. Documentation involves gathering data through observation, recording, analysis, and evaluation of secondary data without the need for direct fieldwork to study the research object.

2.3 Research Variables and Operational Definitions
2.3.1 Dependent Variable

Tax avoidance refers to efforts to minimize tax burdens by utilizing deficiencies or weaknesses (grey areas) in tax laws and regulations to reduce tax liabilities (Pohan, 2016: 23). The Cash Effective Tax Rates (CETR) method, as presented in the research by Hanlon & Heitzman (2010), is used to measure the aggressiveness of tax avoidance activities. The formula for calculating Cash ETR is as follows:

$$CETR = \frac{Cash\ Tax\ Paid}{Pre - Tax\ Income}$$

A higher CETR value indicates lower levels of tax avoidance activity the company conducts (Subagiastra et al., 2016).

2.3.2 Independent Variables

1. **Islamic Corporate Social Responsibility (ICSR)**

   The Islamic perspective on Corporate Social Responsibility involves institutional responsibilities based on faith and devotion (*aqidah*), worship, as well as morality and ethics (*akhlaq*) rooted in Islamic values (Khurshid et al., 2014). In this study, ICSR disclosure uses the ISR index developed by Othman et al. (2009). The disclosure consists of 43 items. A dummy variable approach is used for this disclosure, where a value of 1 is assigned when item i is disclosed, and a value of 0 is assigned when item i is not disclosed. The formula to calculate the Islamic Corporate Social Responsibility Disclosure Index is as follows:

   $$\text{ICSRDI} = \frac{\sum Xi}{nj}$$

   Where: ICSRDI = Islamic Corporate Social Responsibility Disclosure Index; Xi = Dummy variable: 1 = item i disclosed, 0 = item i not disclosed; nj = Number of items for company

2. **Islamic Corporate Governance (ICG)**

   a) Proportion of Independent Commissioners

   The proportion of independent commissioners is the percentage that compares the number of independent commissioners to the total number of other board members responsible for supervising company management. The proportion of independent commissioners is measured using the formula from Arinta (2019) as follows:

   $$PKI = \frac{Number\ of\ Independent\ Commissioners}{Commissioners}$$

   b) Audit Committee

   The measurement indicator used to assess the audit committee is the number of members on a company's audit committee (Oktamawati, 2017). According to PBI Number: 11/33/PBI/2009, the audit committee should consist of at least three members, one of whom is an independent commissioner also serving as the chairperson, while the other two are external, independent parties, one of whom possesses financial and banking expertise. The formula to assess the audit committee is:

   $$\text{KA} = \sum \text{Number of audit committee members annually}$$

   c) Sharia Supervisory Board

   According to Faozan (2014), the Sharia Supervisory Board is an independent internal institution responsible for overseeing and ensuring that a bank's operations are conducted under Sharia principles. According to PBI Number: 6/24/PBI/2004, Article 26 (1), the

Sharia Supervisory Board must comprise at least two and a maximum of five members. The formula to measure the number of the Sharia Supervisory Board is:

$$DPS = \sum \text{Number of Sharia Supervisory Board members}$$

3. Profitability

Profitability represents a company's financial performance in generating earnings using its assets, often measured by Return on Assets (ROA) (Subagiastra et al., 2016). ROA provides insight into a company's ability to earn profits, indicating effective and efficient asset management. The formula to calculate ROA is:

$$ROA = \frac{\textit{Profit after taxes}}{\textit{Total Assets}} \times 100\%$$

4. Bank Size

According to Cahyono et al. (2016), company size involves categorizing companies into large and small based on various measurements such as total assets, average sales levels, total sales, or market value. Company size reflects consistency and capability in generating profits to sustain economic activities. The formula to assess bank size is:

$$SIZE = Ln\ (\text{Total Assets})$$

2.4 Data Analysis Technique

Panel data regression analysis combines time series data (collected over time) with cross-sectional data (collected across different entities). Time series data generally include one object/individual observed over multiple periods (daily, monthly, quarterly, or yearly), while cross-sectional data consists of multiple objects or respondents observed at a specific time (Nengsih & Martaliah, 2021). Data in this study will be analyzed using the Eviews 10 program. The panel data regression model is as follows:

$$\mathbf{TA_{it} = \alpha + \beta_1 ICSR_{it} + \beta_2 PKI_{it} + \beta_3 KA_{it} + \beta_4 DPS_{it} + \beta_5 ROA_{it} + \beta_6 SIZE_{it} + \varepsilon}$$

Where: TA_{it} = Tax Avoidance for entity *i* in period *t*; α = Constant; $ICSR_{it}$ = Islamic Corporate Social Responsibility Disclosure for entity *i* in period *t*; PKI_{it} = Proportion of Independent Commissioners for entity *i* in period *t*; KA_{it} = Audit Committee for entity *i* in period *t*; DPS_{it} = Sharia Supervisory Board for entity *i* in period *t*; ROA_{it} = Return on Assets for entity *i* in period *t*; $SIZE_{it}$ = Bank Size for entity *i* in period *t*; ε: Error

3. RESULT AND DISCUSSION

3.1 Research Sample

The population for this study consists of Islamic Banks operating in Indonesia (Islamic Commercial Banks) from 2017 to 2022. Data for the research is collected from financial reports obtained through the respective websites of these Islamic Banks. Sample selection is performed using the purposive sampling method, which involves choosing companies that meet predefined criteria, as shown in Table 2.

Table 2. Research Sample

No.	Sample Criteria	N of Banks
1.	Islamic Commercial Banks registered with OJK during 2017-2022	14
2.	Islamic Commercial Banks that did not publish an annual report during 2017-2022	(1)
Total sample size during the research period		13

Source: Secondary data processed (2023)

Based on Table 2, it can be concluded that 13 Islamic Commercial Banks were used as the research sample. This study employs an unbalanced panel data approach with a total of 58 observations. The research period spans six years, from 2017 to 2022, as shown in Table 3.

Table 3. List of Bank Samples

No.	Code	Bank Name	Number of Observations
1.	BAS	Bank Aceh Syariah	6 years
2.	BCAS	Bank BCA Syariah	6 years
3.	BJBS	Bank Jabar Banten Syariah	6 years
4.	BMI	Bank Muamalat Indonesia	4 years
5.	BMS	Bank Mega Syariah	6 years
6.	BNIS	Bank BNI Syariah	4 years
7.	BNTBS	Bank Nusa Tenggara Barat Syariah	4 years
8.	BPDS	Bank Panin Dubai Syariah	2 years
9.	BRIS	Bank BRI Syariah	4 years
10.	BSB	Bank Syariah Bukopin	4 years
11.	BSI	Bank Syariah Indonesia	2 years
12.	BSM	Bank Syariah Mandiri	4 years
13.	BTPNS	Bank BTPN Syariah	6 years

Source: Secondary data processed (2023)

3.2 Descriptive Statistics

Descriptive statistics provide an overview or description of data through measures such as mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (distribution asymmetry) (Ghozali, 2006:19). The descriptive statistics of this study can be seen in Table 4.

Table 4. Descriptive Statistics

	CETR	ICSR	PKI	KA	DPS	ROA	SIZE
Mean	0.2796	0.6215	0.6719	4.2586	2.3793	2.0690	30.6329
Median	0.2493	0.6279	0.6667	4.0000	2.0000	1.2100	30.3840
Maximum	0.9485	0.8140	1.0000	10.0000	4.0000	13.5800	33.3537
Minimum	0.0000	0.3488	0.5000	3.0000	2.0000	-5.6900	29.2800
Std. Dev	0.2245	0.1242	0.1618	1.6390	0.5565	3.3859	0.9853
Sum	16.21	36.05	38.97	247.00	138.00	120.00	1776.70
Observation	58	58	58	58	58	58	58

Source: Secondary data processed (2023)

3.3 Panel Data Regression Estimation Model Selection

Several methods can be used to estimate panel data regression models, including the common effect model, fixed effect model, and random effect model. These models will be tested to determine the most appropriate method for this research. The results of the panel data regression model tests can be seen in Table 5.

Table 5. Results of Panel Data Regression Model Selection

Test Name	*Effects Test*	Prob.	Sig.	Model Fit
Chow Test	Cross-section chi-square	0,0000	0,05	*Fixed Effect*
Hausman Test	Cross-section random	0,0000	0,05	*Fixed Effect*

Source: Secondary data processed (2023)

Based on the results of the Chow test, it is known that the chi-square probability value of 0.000 < 0.05, indicates that the selected model is the fixed effect model. After obtaining the fixed effect model, the next step is to perform the Hausman test to compare the fixed effect model with the random effect model. Based on Table 5, it is evident that the cross-section random probability value of 0.000 < 0.05, leading to the conclusion that the selected model is the fixed effect model.

3.4 Panel Data Regression Analysis

This study employs the fixed effect model for panel data regression analysis. The selection of the fixed effect model as the panel data analysis method has been done previously through the Chow test and the Hausman test, confirming that the fixed effect model is the most suitable approach for testing panel data in this research.

Table 6. Panel Data Regression Results

Variable	Coefficient	Std. Error	Prob.
C	10.95932	2.327278	0.0000
ICSR	0.613750	0.219100	0.0040
PKI	0.607221	0.248462	0.0096
KA	0.061226	0.031443	0.0294
DPS	-0.201220	0.069924	0.0033
ROA	0.006508	0.014003	0.3224
SIZE	-0.367731	0.077114	0.0000

Source: Secondary data processed (2023)

1. The Influence of Islamic Corporate Social Responsibility on Tax Avoidance

Based on the results of the tests presented in Table 6, this study demonstrates that Islamic corporate social responsibility positively influences tax avoidance. This implies that a higher level of ICSR disclosure will increase a company's tax avoidance activities. Lanis and Richardson (2012) state that companies disclose CSR activities to mitigate the negative perception from the public that arises due to the company's tax avoidance practices. They also aim to show that the company meets societal expectations through means other than tax payments by engaging in more extensive CSR activities. Additionally, Purbowati and Yuliansari (2019) argue that CSR reporting in sustainability reports may not necessarily align with actual conditions due to a lack of control over disclosure in sustainability reports.

The positive influence of ICSR activities on tax avoidance could also be due to certain items within CSR that can be treated as expenses to reduce gross income, thereby decreasing the company's taxable income. These items are specified in Government Regulation No. 93 of 2010. Consequently, this contradicts the legitimacy theory, where companies are expected to conduct their operations within prevailing norms and socially responsible bounds to earn positive legitimacy from society. Paradoxically, companies can use CSR to mask their opportunistic actions in reducing tax burdens through tax avoidance. The findings of this research do not support the findings of Amalia (2019), Indriastuti et al. (2020), and Sofianty and Herlina (2020) that state a negative relationship between CSR and tax avoidance. However, this study supports the research conducted by Rahmawati et al. (2016) and Yunistiyani and Afrizal (2016), which state that fulfilling CSR obligations is primarily done to maintain a positive image and gain support from the community and the environment.

2. The Influence of the Proportion of Independent Commissioners on Tax Avoidance

Based on the results presented in Table 6, this study indicates that the proportion of independent commissioners positively and significantly influences tax avoidance. This means that a higher proportion of independent commissioners is associated with increased tax avoidance. This positive correlation aligns with Sari et al. (2020), who argue that a higher number of commissioners from outside the company can lead to difficulties in communication and coordination among board members, reducing their effectiveness in overseeing and controlling the performance of directors and management transparently, accountably, and responsibly. Alternatively, according to Pohan (2008), the presence of independent commissioners might be utilized merely to comply with Financial Services Authority

Regulation No. 33/POJK.04/2014 or as a symbolic application of good corporate governance mechanisms.

Independent commissioners can influence a company's tax avoidance policy as intermediaries between management (agents) and company owners (principals) to ensure that decisions regarding company strategies and policies, including tax payment decisions, adhere to the prevailing regulations. The results of this study do not support the agency theory put forth by Jensen and Meckling (1976), which posits a separation between management and company ownership. In this case, company owners still play a dominant role in determining the company's policy direction, enabling them to utilize their power for tax avoidance activities. Annisa and Kurniasih (2012) add that the number of independent commissioners is not the main determinant of effective management oversight. This study supports the research conducted by Dewi (2019), Sari and Somoprawiro (2020), and Sari et al. (2020), which state that the proportion of independent commissioners has a positive influence on tax avoidance.

3. The Influence of the Audit Committee on Tax Avoidance

Based on the results presented in Table 6, this study shows that the audit committee positively influences tax avoidance. This finding contradicts the commonly held justification that a higher number of audit committee members would reduce tax avoidance activities. Sumartono and Puspitasari (2021) suggest that the formation of the audit committee structure and members are the responsibility of the board of commissioners. Thus, any misuse of power by the board of commissioners regarding the minimum composition or the increase in the number of audit committee members could worsen tax avoidance within the company.

According to Ayu and Kartika (2019), the quality of the audit committee is not determined by the number of its members but rather by their common sense, intelligence, and independent perspectives. Similarly, as mentioned by Mulyani et al. (2018), if companies establish an audit committee merely to comply with existing regulations without fully implementing corporate governance functions based on applicable principles and guidelines, the audit committee's ability to minimize harmful actions such as tax avoidance would be compromised. Thus, this contradicts agency theory, as the presence of an audit committee cannot necessarily reduce information asymmetry between agents and principals. The study by Tendean (2016) suggests that this is due to agency conflicts. This arises because the audit committee's inability to enhance the integrity and credibility of financial reporting permits conflicts of interest between agents and principals, enabling them to make self-benefiting decisions through earnings management or by manipulating tax burdens.

According to Mulyani et al. (2018), the audit committee should be updated with good systems and technology and evaluated periodically to ensure maximum corporate governance implementation, enabling the committee to monitor deviant transactions and courageously provide accurate opinions that help minimize tax avoidance activities within the company. This study supports the research conducted by Mulyani et al. (2018), Tiala et al. (2019), and Sumartono and Puspitasari (2021), which state that the audit committee has a positive influence on tax avoidance.

4. The Influence of the Sharia Supervisory Board on Tax Avoidance

Based on the results presented in Table 6, this study indicates that the Sharia Supervisory Board negatively influences tax avoidance. This result aligns with the justification that a higher number of members on the Sharia Supervisory Board leads to reduced tax avoidance within the company. The negative correlation is attributed to the independent nature of the Sharia Supervisory Board within the banking sector, rendering it unaffected by management, the board of directors, and shareholders. According to Haniffa and Hudaib (2007), the role of the Sharia Supervisory Board is to internally control the company through review and supervision tasks to ensure compliance with Sharia principles.

Arinta (2018) states that a Sharia Supervisory Board with a strong reputation, experience, and knowledge can enhance its monitoring function over Islamic banking activities to prevent actions such as tax avoidance that contravene Islamic ethical values. Moreover, a larger size of the Sharia Supervisory Board, according to Muhammad et al. (2021), corresponds to a higher level of Sharia understanding in banking operations. Furthermore, the Sharia Supervisory Board tends to have expertise beyond Sharia, which can enhance its efficiency and effectiveness in reducing aggressive tax avoidance behavior. The size of the Sharia Supervisory Board, according to Quttainah and Almutairi (2016), also reduces management's tendency to engage in unethical business practices, preventing transactions that go against vertical (Allah SWT) and horizontal (society) relationships. Thus, it is expected that through Sharia compliance, banks will adhere to tax payments, contributing to the well-being of society. The results of this research do not support the findings of Arinta (2018) and Taufik (2022), which state that the Sharia Supervisory Board positively influences tax avoidance. However, this study supports the research conducted by Riziqiyah and Pramuka (2021), which states that the Sharia Supervisory Board negatively influences tax avoidance.

5. The Influence of Profitability on Tax Avoidance

Based on the results presented in Table 6, this study indicates that profitability does not influence tax avoidance. Aulia and Mahpudin (2020) argue that higher levels of company profitability lead to increased net profits. Through higher profits, companies are assumed to not engage in tax avoidance activities, as they can manage their income to meet tax payments and exhibit good tax planning capabilities. A positive Return on Assets signifies effective performance in generating profits from the assets owned, as Plesko (2004) noted. Higher profits indicate a company's capacity to pay expenses, including taxes, adhere to tax regulations, and minimize tax avoidance activities. According to Triyanti et al. (2020), tax avoidance activities carry risks, as aggressive tax avoidance can lead to significant costs, including fees paid to tax consultants, time spent on tax audits, damage to reputation, or penalties imposed by tax authorities. Therefore, management will avoid such risks. The findings of this research support the research conducted by Oktaviani and Solikhah (2019), Triyanti et al. (2020), and Prasatya et al. (2020), which state that profitability does not influence tax avoidance.

6. The Influence of Bank Size on Tax Avoidance

Based on the results presented in Table 6, this study indicates that company size negatively influences tax avoidance. This implies that larger companies are associated with reduced tax avoidance. Larger companies are subject to greater scrutiny and oversight by authorities, including tax authorities, as argued by Sidauruk and Putri (2022). Hence, management in larger companies is less likely to engage in avoidance practices to maintain a positive image in the public eye. Larger companies also avoid utilizing their power to conduct tax planning due to the potential to attract regulatory attention and scrutiny. According to Khomsiyah et al. (2021), larger companies tend to be more cautious in their financial reporting and are more transparent in disclosing financial information. Furthermore, as indicated by Munandar et al. (2016), large companies tend to avoid tax avoidance by leveraging their large asset base to use depreciation or amortization as deductions from taxable income, obviating the need for aggressive tax avoidance practices. The findings of this research support the research conducted by Munandar et al. (2019), Praditasari and Setiawan (2017), and Oktamawati (2017), which state that company size has a negative influence on tax avoidance.

4. CONCLUSION

This study delves into the influence of Islamic Corporate Social Responsibility (ICSR), Islamic Corporate Governance (ICG), profitability, and bank size on tax avoidance practices within Islamic Commercial Banks operating in Indonesia. The findings reveal that both ICSR and ICG, measured by the Proportion of Independent Commissioners (PKI), the Audit Committee (KA), and the Sharia Supervisory Board (DPS), exert a positive influence on tax avoidance behavior. Conversely, profitability, as measured by Return on Assets (ROA), does not significantly impact tax avoidance, while bank size demonstrates a negative effect.

The study acknowledges its limitations, including focusing on a single sector (Islamic Commercial Banks) in a single country (Indonesia) and utilizing a restricted set of independent variables. Additionally, the study's reliance on secondary data derived from annual reports may not fully capture the intricacies of ICSR and ICG practices.

Future research endeavors should consider incorporating additional independent variables that may influence tax avoidance tendencies, exploring different subjects such as the mining sector or other industries, expanding data collection beyond annual reports to encompass sustainability reports and corporate governance reports, employing a more comprehensive Corporate Social Responsibility (CSR) disclosure index for more accurate CSR disclosure measurements, and utilizing alternative proxies to gauge tax avoidance, such as Effective Tax Rates (ETR), Book Tax Differences (BTD), or Current ETR. By addressing these limitations and pursuing these future research directions, researchers can further enhance our understanding of tax avoidance in the Islamic finance industry and contribute to effective policymaking and regulatory practices.

The study's findings hold significant implications for policymakers, regulators, and practitioners within the Islamic finance industry. Firstly, ICSR and ICG practices can influence tax avoidance behavior in Islamic Commercial Banks. Policymakers and regulators should encourage Islamic Commercial Banks to adopt robust ICSR and ICG principles to foster transparent and responsible tax practices. Secondly, the negative impact of bank size on tax avoidance suggests that larger banks face increased scrutiny and adopt more conservative tax practices. Regulators should ensure that Islamic Commercial Banks of all sizes adhere to tax regulations and avoid aggressive tax planning strategies. Thirdly, the study underscores the need for further research on tax avoidance in the Islamic finance industry, including studies of other sectors and using more comprehensive CSR and tax avoidance measurement tools.

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