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Article

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FINANCIAL ECONOMICS | RESEARCH ARTICLE

Corporate governance, tax avoidance, and corporate social responsibility: Evidence of emerging market of Nigeria and frontier market of Pakistan

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Iyoha Francis Odianonsen⁵

Abstract: The main purpose of this study is to shed light on the relationship between corporate governance, tax avoidance, and corporate social responsibility disclosure in emerging and frontier markets Nigeria and Pakistan, respectively. The current study employs a unique set of datasets about 91 companies from the Nigeria Stock Market and 121 companies from the Pakistan Stock Market for the period of ten years from 2011 to 2020. We used a fixed effect regression model to analyze the panel data. From the analysis, we find that corporate social responsibility is positively and significantly associated with tax avoidance in the case of Nigeria. Meanwhile, CSR has a positive but insignificant effect on tax avoidance in the case of Pakistan. However, board nationality shows a positive and insignificant



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PUBLIC INTEREST STATEMENT

This study examines the nexus between corporate governance, tax avoidance, and corporate social responsibility disclosure in Nigeria and Pakistan's emerging and frontier markets. This study employs a dataset of 91 companies from Nigeria and 121 companies from Pakistan for the period from 2011 to 2020. From the analysis, we find that corporate social responsibility is positively and significantly associated with tax avoidance in the case of Nigeria. Meanwhile, CSR has a positive but insignificant effect on tax avoidance in the case of Pakistan. However, board nationality shows a positive and insignificant impact on CSR, whereas board independence, board ownership, board diversity, and board size are negatively and insignificantly associated with CSR in Nigerian firms. In the case of Pakistani firms, both board ownership and board independence are positively and insignificantly associated with CSR, though board nationality has a negative but significant relationship with CSR, and board diversity and board size are negatively and insignificantly related to CSR.

impact on CSR, whereas board independence, board ownership, board diversity, and board size are negatively and insignificantly associated with CSR in Nigerian firms. In the case of Pakistani firms, both board ownership and board independence are positively and insignificantly associated with CSR, though board nationality has a negative but significant relationship with CSR, and board diversity and board size are negatively and insignificantly related to CSR. The paper's findings have vital implications for policymakers, academics, and capital market users in the frontier and emerging economies. It has better significance for the government and companies to pay attention to CSR.

Subjects: Corporate Finance; Banking; Accounting

Keywords: Corporate social responsibility; corporate governance; tax avoidance; fixed-effect regression models; panel data; emerging and frontier markets

1. Introduction

During the previous several years, many studies have revealed a connection between corporation tax avoidance and corporate management and corporate social responsibility (Hanlon & Heitzman, 2010). Corporate social responsibility (CSR) reporting is the emerging field of virtual company transparency. Through CSR disclosure, managers have a unique chance to promote their firm's economic and social development efforts and contributions because decision-maker's choices, intentions, and beliefs influence CSR reporting. Corporate governance is widely acknowledged to substantially impact CSR reporting (Chan et al., 2014; Jo & Harjoto, 2011). Corporate social responsibility (CSR) is growing increasingly popular among both companies and instructors, and research scrutinizing the link between corporate responsibility and tax avoidance is becoming more prevalent (Davis et al., 2016; Watson, 2015; Zeng, 2016). Researchers such as Lanis and Richardson (2012) and Watson (2015) concluded that corporate tax avoidance has intrinsically linked with corporate responsibility. Despite the expanding corpus of investigation on the connection between corporate responsibility and tax avoidance, it is still inconclusive.

The authors of this research highlighted the role of corporate responsibility and corporate governance in influencing a company's tax avoidance practices. It is pivotal for policymakers, regulators, practitioners, stakeholders, academics, and corporate administration. CSR relates to the business practices that go above and beyond the regulations in providing sustainable, economic, moral, as well as customer issues within the corporate activities to achieve non-market value for shareholders and stakeholders (Crifo & Forget, 2015). Corporate governance is an internal and external accountability structure that assures businesses they are accountable to their stakeholders while operating ethically (Solomon, 2020). Tax avoidance is the act of decreasing the amount of direct taxes paid by businesses (Lanis & Richardson, 2013). Similarly, according to Lipatov (2012), tax avoidance is the legitimate misreporting of tax obligations. However, in previous research, CSR investments can significantly impact both society's growth and the business's success (Bedi, 2009; Hategan & Curea-Pitorac, 2017; Helg, 2007; Wahba & Elsayed, 2015). As a result, more organizations realized the need to develop a comprehensive CSR strategy (Chaudhary, 2017; Famiyeh, 2017).

Nevertheless, there is still a dearth of studies that examine the cultural and governance contrasts between Nigeria and Pakistan. That is, their culture and management influence CSR and tax avoidance. According to Hofstede (1980), culture can define as "the communal programming of the minds that separate functional team as a group from members of another." He classified the national culture into four categories: Individualism, masculinity, power distance, and uncertainty avoidance. There are certain similarities between Nigeria and Pakistan that they have selected for this study. For example, the market capitalization

for both Nigeria and Pakistan is US\$52 and US\$56 billion (Nigeria Stock Exchange, 2021; Pakistan Stock Exchange, 2021). The literacy rate is almost similar to (60%) in Pakistan and (62%) in Nigeria (World Population Report, 2021). However, the population rate for Nigeria is 206 million and for Pakistan is 220 million. Both countries are under the commonwealth, operate a democratic system of government, and are developing countries. The research's primary objective is to notice an association between corporate management, tax avoidance, and corporate responsibility. The vital question of this study is as follows: what is the link between CSR, corporate management, and tax avoidance in the emerging market of Nigeria and the frontier market of Pakistan-listed companies? So the key motive of this inquiry is to find out the connection between corporate responsibility, tax avoidance, and corporate governance by utilizing the listed firms of the frontier market of Pakistan and the emerging markets of Nigeria.

By utilizing a unique sample size of both Pakistani and Nigerian listed firms from 2011 to 2020, we find the nexus between corporate social responsibility, corporate governance and tax avoidance in the context of Pakistan and Nigeria. Our findings showed that tax avoidance is positively associated with corporate social responsibility in Nigerian firms, while it is positive but insignificant in the case of Pakistan.

The current study related to corporate social responsibility disclosures, corporate governance, and tax avoidance contributes to the literature in numerous ways. First, most of the studies in the current literature are associated with CSR and tax avoidance practices in the developed market (Abdelfattah & Aboud, 2020; K. Z. Lin et al., 2017). This study intends to add to the small body of literature on these topics in developing countries such as Pakistan and Nigeria, which are similar to each other in terms of market capitalization, population review and democratic form of government. Therefore, we contribute to the literature on CSR by providing new insight into examining the connection between CSR, corporate governance, and tax avoidance in the emerging and frontier markets that have increased attention over the last decades. To be the best of the researcher's knowledge, there is no study related to the association between CSR, corporate governance, and tax avoidance in the developing markets, especially a comparison between Pakistan and Nigeria. Second, CSR and tax avoidance practices have received little attention in the corporate governance literature in developing markets (Abdelfattah & Aboud, 2020). Our research contributes to a need for greater research into the context-specific character of CSR disclosure in developing markets (Abdelfattah & Aboud, 2020; Ali et al., 2017; K. Z. Lin et al., 2017). Third, based on the prior literature, the current study implements cross-country comparison study between Pakistan and Nigeria rather than focusing on a single country approach (Cascino et al., 2010; Gaaya et al., 2017; López-González et al., 2019; Zeng, 2019).

Section two includes literature and a theoretical review on CSR, corporate governance, and tax avoidance. Section three contains the methodology, model specification, and sources of data collection. The study's findings, discussion, and implications have been offered in section four. Lastly, section five contains the conclusion, recommendations, limitations, and suggestions for future research.

2. Literature review and hypotheses development

2.1. Theoretical background of study

The existing literature review also reveals that one of the most crucial theories is related to the connection between corporate governance and corporate responsibility (Jain & Jamali, 2016; Oh et al., 2018; Tang et al., 2020). Stakeholder theory that business success involves taking entranced to reason the comforts of multiple stakeholders, including, for instance, workforces, indigenous governments, customers, and the environment, for permissible, monetary, and moral causes (Tang et al., 2019). Under this rationale, successful corporate management

contributes to an improvement of CSR (Tang et al., 2020). As stated, Jo and Harjoto (2012) confirmed that corporate management quality businesses are willing to spend more on CSR business in the United States, even though (Michelon & Parbonetti, 2012) underpin the major cause premised taking place a European sample. According to P. T. Lin et al. (2015), taking out corporations are also using CSR disclosure to resolve disputes between management and interested stakeholders.

Relating to the existing literature, some other theories support the association between corporate social responsibility and tax avoidance. The first one is corporate cultural theory claims that there is a negative association between tax avoidance practices and corporate social responsibility, and argues that all of the firm's decisions should be based on a shared belief in "optimistic behavior" (Hermalin, 2001; Kreps, 1990). Furthermore, in this theory, a company will not engage in activities that have a contradictory consequence on the community. On the other hand, risk management theory stated that companies emphasize shareholder interests over the interests of all stakeholders. It implies that corporations should increase their CSR practices, which assist them to build a good image, and thus minimize the reputational risk linked with bad corporate events and optimizing shareholder interests (Godfrey, 2005).

On the other hand, Davis et al. (2016) found that CSR and tax avoidance have a substituting association, implying that companies using tax avoidance approaches are more capable of boosting their CSR disclosure. These findings support the legitimacy theory, which states that companies boost CSR disclosures to address community issues about low tax payments and to gain legitimacy (Deegan, 2002; Lanis & Richardson, 2013).

2.2. CSR and tax avoidance

In the last several years, corporate social responsibility has recently gained a lot of awareness, and a sufficient amount of research has probed into the connection between CSR and tax avoidance (Zeng, 2019). Both organizations and scholars have devoted significant attention to CSR (Abdelfattah & Aboud, 2020; Brooks & Oikonomou, 2018). In this respect, it has emphasized that taxes are crucial for the composition and operation of the state, economics, and the public. Taxes are collected mainly to allow the government to deliver social goods of all forms (Abdelfattah & Aboud, 2020; Gribnau, 2015). As CSR has eventually gained greater attention, many tax investigations attempt to scrutinize the link between corporate responsibility and economic aggression, but the outcomes are contradictory. However, one aspect of corporate sustainability, namely the social dimension, is a fundamental component of corporate taxation. Paying taxes is a vital step for businesses to engage effectively with society. The company will pay a fair amount of taxes to become socially accountable citizens.

As a result, every respectable citizen in society pays the tax, and tax avoidance is inconsistent with sustainable business practices or CSR (Zeng, 2019). Numerous researches have shown that there is a mixed result. For instance, 2019 endeavor to prospect the association between corporate sustainability and corporate tax avoidance by utilizing the sample size of US firms through the hand-collected data from 1995 to 2012. They applied difference-in-difference regressions to establish the relationship. The results concluded that theories do not agree on the connection between CSR and tax avoidance. Generally, the research supports the risk management theory and gives evidence of corporate sustainability, which has lately received a lot of consideration, with certain arguing that CSR and corporate tax avoidance have a negative association. Similarly, López-González et al. (2019) find the connection between CSR and corporate tax avoidance with family ownership as moderators by using the data from Europe, the USA, the Middle East, Asia, and Africa from 2006 to 2014. The following study used the regression method to analyze the data. The results concluded that environmental and social outcomes were strongly linked with tax avoidance to reduce tax-saving techniques in companies with even more socially responsible performance.

Another research finds out to scrutinize the associations between corporate sustainability and corporate tax avoidance by practicing the sample of 15 European countries from 2008 to 2016. The study applied the regression model. From a research perspective, firms with higher company responsibility scores appear to be more likely to manipulate taxes, demonstrating that businesses utilize corporate social responsibility to mitigate the possible significant consequences of severe tax avoidance (Alsaadi, 2020). Tax dodging saw as an unlawful act that does not comply as companies create a fiscal system to lessen the tax burden (Alsaadi, 2020; Lanis & Richardson, 2015). Additionally, Mao (2019) attempts to explain the correspondence between CSR and tax avoidance by employing three matching approaches. The study took both CSR firms and Non-CSR firms. From 2009 to 2016, data was gathered from companies listed on China A. When companies consider CSR and tax payments as approaches to benefit society, the connection between corporate sustainability and tax avoidance is negligible.

Conversely, if companies participate in CSR for the risk management goal, the two activities show favorable links. The regression analysis findings proclaimed that the effects of CSR activities are positive on tax avoidance. Although the results from different econometric models are not the same, the vast findings demonstrate that CSR firms pay a higher tax rate than non-CSR enterprises. The robustness test also reveals that CSR companies have smaller long-term tax rates than non-CSR enterprises. In other words, choosing a different dependent variable does not influence the outcomes qualitatively (Mao, 2019).

Lanis and Richardson (2012) empirically scrutinized that corporations with strong corporate social responsibility engagement have a lower likelihood of abandoning taxes. There are many ways organizations can conduct themselves in monetary violence. For instance, they can implement companies located in tax refuges or protections in countries where firms indemnify little or no excise (Barrera & Bustamante, 2018; 2019; Whait et al., 2018). Another study carried out by Zheng (2017) checked whether there is a difference in corporate tax avoidance between parted firms and diversified businesses and found that diversified U.S. companies utilize more ineffective tax avoidance strategies than independent U.S. companies. (Laguir et al., 2015) scrutinized how the diversity of corporate sustainability practices affects the aggressiveness with which corporation taxes are applied. A structural model is validated using a partially moderate regression to determine the positive and negative links between corporate sustainability and tax avoidance. The analysis shows that a business's tax avoidance hinges on the characteristics of its social contribution activities based on a sample of willing French corporations. The study frequently claimed that the optimal amount of corporate tax obnoxiousness is the highersocial dimension, even though more economic activity is linked to a high level of economic aggression.

The most important aspect of CSR is probably taxation (Christensen & Murphy, 2004). Although tax is at the heart of any sovereign state accountable nationality, the previous study into the connection between corporate tax expenses and corporate sustainability has yielded assorted consequences (Davis et al., 2016; Hoi et al., 2013; Lanis & Richardson, 2012). A corporate entity may also be able to reduce its tax burden while staying within the intent of the rules, but trying to engross in strategic levy (tax) behavior specifically for the motive of plummeting tax obligation is typically regarded as fraudulent (Avi-Yonah, 2008; Landolf & Symons, 2008). Taking steps to reduce the negative consequences of business tariff evasion on social and monetary comfort is also seen as a socially responsible course (Williams, 2007). Based on the preceding discussions, it here hypothesized that:

H0: Corporate responsibility does not affect tax avoidance in listed firms in Nigeria and Pakistan.

2.3. Corporate governance and corporate social responsibility

2.3.1. Board size and CSR

The size of the board may affect the number of disclosure practices and decision-making procedures (Lone et al., 2016). The connection between board size and company responsibility yields varied findings. For instance, Majeed et al. (2015) demonstrated a significant and positive effect of board size on corporate sustainability reporting by using KSE listed firms. Another study by (Orazalin, 2019) showed that the size of a board did not affect CSR disclosure. According to (Lagasio & Cucari, 2019), the size of a board visibly enhances the ESG disclosures. However, the body of studies showed a positive connection between the size of a board and CSR disclosure (Alabdullah et al., 2019; Kabir & Thai, 2017; TRAN et al., 2020). The connection between corporate management and financial performance is crucial for emerging economies. Corporate management is vital for a company's success, which helps the state's economy strong. Pakistan's corporate governance code was created in 2002 and amended in 2012 with substantial changes (Lu et al., 2021). As a result, the corporate governance concept in Pakistan is very new, having formed only a decade ago, and developing-country firms, such as those in India, Bangladesh, Pakistan, and Nigeria, are rarely participating in company management efforts. These nations have monetary hitches, workplace protections, well-being problems, stumpy levels of ecofriendly and employee wellbeing, and civil rights abuses such as child workers (Javeed & Lefen, 2019). According to (Cheema & Din, 2013) family ownership controls 60% of businesses in Pakistan, while non-family ownership controls 40%. Furthermore, corporate governance operations in Pakistan are not well established (Gamerschlag et al., 2011).

According to stakeholder theory, larger boards with representatives across diverse different stakeholders argue for more mandatory financial statements and sustainability reporting to meet their expectations and purposes (Hahn et al., 2015). Therefore, following the preceding debate, the following hypothesis is given:

H0: The size of the board does not significantly impact corporate social responsibility in listed firms in Nigeria and Pakistan.

2.3.2. Board nationality and CSR

Board nationality is among the most pivotal factors in the breadth of CSR in today's commercial sector. The presence of foreign boards from various nations in the boardroom demonstrates the diversity of nationalities. The literature on foreigners on boards of directors indicates that their presence in the boardroom significantly impacts managerial behavior and company disclosure standards (Fuente et al., 2017). Research examining external directors' impact on corporate social responsibility, for instance, M. A. M. A. Harjoto et al. (2019) scrutinized the positive association between the nationality of the board and corporate social performance by using US firms.

Ferrero-Ferrero et al., (2015) stated that because of their worldwide market commitment, diverse job backgrounds, religious beliefs, dialect, personal experiences, knowledge, and history, a higher percentage of international board members bring varied perspectives and ideas to the board, which helps businesses make better decisions. As a result, having a more diversified management team boosts participation in CSR initiatives. Similarly, according to Ruigrok et al. (2007), the far supplementary global the board policymaker, the further diverse the thoughts and insights on the problem, thus the greater the potential for creative action. International directors are examined to see why companies appoint them to their boards of directors and how they impact financial results (Masulis et al., 2012; Naveen et al., 2013). In the opinion of Naveen et al. (2013), U.S. businesses working in nations with diverse business environments are more likely to pick international members, because of the contrasts, demonstrating that businesses are worth the counseling position of external administrators. (Masulis et al., 2012) found that when the objectives seem to be from directors' home countries, U.S. firms having foreigner's board independence do superior cross-border acquisitions, yet they execute considerably poorly when existing business

footprint in such areas becomes less prominent. We outspread on preceding examination by looking at the impact of international directors and directors with foreign education on CSR utilizing a sample of Nigeria and Pakistan.

Foreign directors might contribute peculiar traditional beliefs and ideas about the function of businesses within the community to corporate social responsibility activities, and national heterogeneity has a negative and significant influence on the excellence of corporate sustainability disclosures. Therefore, considering contradicting quantitative studies in the literature, researchers believe that having foreign members on a management board is an effective incentive for top executives to encourage their companies' engagement in CSR initiatives (Katmon et al., 2019). Following the preceding discussion, the following hypothesis has given:

H0: Board nationality does not significantly impact CSR in the listed firms of Pakistan and Nigeria.

2.3.3. *Ownership concentration and CSR*

The ownership share of a company's largest owners, as well as the shares of owners who control 5% or more than 5% of the overall outstanding shares, is referred to as concentrated ownership (Busta et al., 2014; Salas & Deng, 2017). According to the agency theory, issues might occur when owners only partially monitor managers or when the agent distributes resources based on their interests rather than the shareholders (Jensen & Meckling, 1976). More ownership concentration is likely to result in far less conflict between shareholders and managers by exerting more and more power over the agents, and greater CSR transparency is achievable as a result of this effect of ownership concentration on agency problems (Ducassy & Montandrou, 2015). Still, the literature review based on the connection in-between corporate sustainability disclosure and concentrated ownership divulges inconclusive findings. For instance, Dias et al. (2017) established that there is no connection between corporate sustainability and concentrated ownership. Another study by Fallah and Mojarrad (2019) explored that concentrated ownership positively impacts the disclosures of corporate responsibility, as concentrated ownership is one of the most influential variables, and managers are likely to provide more CSR reports in the firms with majority shareholder involvement. However, some researchers claimed that there is a negative impact of corporate sustainability disclosure on ownership concentration (Adel et al., 2019). Contrary to these, several exploration take-ups suggested a positive association between CSR disclosure and ownership concentration (Crisóstomo & Freire, 2015; Garas & ElMassah, 2018). So, following the preceding debate, the following hypothesis has given:

H0: Ownership concentration does not significantly influence the corporate responsibility of Pakistan and Nigeria-listed firms.

2.3.4. *Board Independence and CSR*

Stakeholder theory stated that the inadequacy of class benefits and nonfinancial roles motivate external executives to undertake the stakeholder interests by pressuring governance to expose more sustainable development data and to focus on improving a company's identity by focusing on social and environmental issues (Orazalin, 2019). Board independence can increase board monitoring competency since its image and equity financing values are associated with their judgment as decision management experts (Shu & Chiang, 2020). Previous inquiries into the interaction between board independence and corporate sustainability have yielded assorted consequences. Orazalin (2019) studied that independent directors do not influence the number of disclosures of CSR. Banks with independent non-policy-making managers, on the other hand, are anticipated to become more proactive in CSR and CSR reporting (Arora & Dharwadkar, 2011). Similarly, Jizi et al. (2014) revealed that a board with independent executives is significantly connected to corporate sustainability, implying that wider directors on the

board and additional independent directors are internal governance systems that benefit both shareholders' interests. Board independence may improve the board's impartiality, boost its capacity to reflect a variety of viewpoints on corporate sustainability, and ensure that the benefits of various stakeholders are balanced (Michelon & Parbonetti, 2012). The majority of prior findings have initiated a significant association between board independence and corporate responsibility disclosure (Htay et al., 2012; Majeed et al., 2015). Following the above debate, the following hypothesis has given:

H0: Independent directors do not significantly affect CSR in listed firms in Nigeria and Pakistan.

2.3.5. Female gender diversity and CSR

Gender diversity is amongst the most extensively researched board features in the previous research (Orazalin, 2019). Except for their male colleagues, woman directors are more likely to support their companies' social mores due to mental characteristics that help others to be more receptive to the interests of various societies of stakeholder groups (Jain & Jamali, 2016). The majority of former research revealed a positive link inbetween female directors and CSR (Issa & Fang, 2019). According to M. Harjoto et al. (2015) aim to explore the connection inbetween women directors on the board and firms' corporate responsibility by using 48 industries from 1998 to 2011. The data was gathered from the Risk Metrics Directors database. The findings of the ordinary least square regression model indicated that board diversity significantly increased CSR performance by increasing CSR strengths. (Orazalin, 2019) found a significant connection between CSR and gender diversity using the banking sector of Kazakhstan from 2010 to 2016. Similarly, another research by (Majeed et al., 2015) utilized the listed firms on KSE Pakistan from 2007 to 2011 to inspect the link between corporate management components and corporate responsibility. The multiple regression model revealed a contrary connection between women directors and corporate sustainability reporting. (Shamil et al., 2014) also identified a connection between female gender diversity and corporate responsibility disclosure which was negative. However, Amran et al. (2014) concluded that gender diversity and CSR practices are unrelated.

Nevertheless, the majority of prior research has found a positive connection between female gender diversity and corporate sustainability reporting (Gul et al., 2017; Issa & Fang, 2019; Orazalin, 2019; Sundarasan et al., 2016). (Katmon et al., 2019) proposed that female board membership could increase long-term competitive advantages and CSR initiatives, in line with the Resource-Based View (RBV) hypothesis. In addition, female directors provide a diverse spectrum of opinions and information to board discussions (Al-Shaer & Zaman, 2016). Following the preceding debate, the following hypothesis has given:

H0: Female gender diversity does not significantly influence corporate responsibility in listed firms in Pakistan and Nigeria.

2.4 Endogeneity problems can be caused by the unobservable firm and CEO traits, and solutions can be found by considering

2.3.6. Market competition as a governance mechanism

Does good corporate governance benefit all organizations? While this question may appear to be heresy to shareholder-rights activists, it is not without merit. Economists have long claimed that management incentive difficulties are primarily a concern for firms in non-competitive industries, dating back to Adam Smith. Firms in competitive industries should benefit less from good governance because managers have no choice but to maximize firm value. Firms in non-competitive industries, on the other hand, should benefit more because of the lack of competitive pressure on management (Chen et al., 2012).

2.3.7. CSR-contingent executive compensation incentive and earnings management

According to recent research by Hong et al. (2016) CSR, which can be increased by CSR-contingent executive compensation, is beneficial to shareholders rather than an agency cost. The relationship between executive compensation and earnings management has been extensively researched in the literature, e.g., Balsam (1998), Guidry et al. (1999), Healy (1985), Coles and Li (2019). According to all of the previous research, most firms have earnings-based executive compensation contracts, managers participate in earnings management to maximize their total pay.

2.3.8. The use of equity grants to manage optimal equity incentive levels

Equity incentives for managers grow misaligned with the ideal incentive level over time. One reason is that the factors that influence optimal incentive levels, such as firm and manager characteristics, fluctuate with time. Another reason is that managers sell and buy shares and exercise options regularly. The relative merits of these two CEO incentive measures have recently been discussed in recent research. Managerial risk aversion and wealth restrictions, according to Haubrich (1994) and Hall and Liebman (1998), imply that even small fractional shareholdings provide substantial incentives for managers. According to Baker and Hall (1998) whatever measure is more appropriate is determined by how CEO activities are expected to affect firm value.

2.3.9. Bottom-up monitoring

Executives who are directly below the CEO in the chain of command are the target of bottom-up monitoring measures. Giving authority and incentives to No. 2 executives is crucial in the bottom-up monitoring framework also known as “internal governance” by Acharya et al. (2011), because their ability to evaluate CEOs daily much exceeds the capacities of even the most attentive boards. According to Alchian and Demsetz (1972), when No. 2 executives are given the authority, incentive, and avenues for communication and influence, they can act as watchdogs for self-interested CEOs, monitoring and restricting them.

3. Materials and methods

We use publicly traded corporations listed on the Nigerian and Pakistani Stock Exchanges to test our hypotheses. After applying filtering criteria, we have applied random sampling procedure and choose 91 companies from the 177 listed companies and 121 companies from the 443 listed firms on the Pakistan Stock Exchange. All these companies are selected based on the highest market capitalizations of each firm in each sector. We exclude listed firms that lack the required variables for our analysis. In addition, firms with at least five (5) consecutive data points are chosen, ensuring the robustness of the finding (Ojeka et al., 2019). The relevant variables are extracted manually from the annual reports and the corporate governance sections of corporations’ web-sites. We selected the ten years from 2011 to 2020.

3.1. Definitions of the variables

3.2. Research methods

Following the recent literature (Hegde & Mishra, 2019), we adopt empirical strategy that controls for the observed heterogeneity through Fixed Effects Regression. This allows for cross-serial dependency, heteroscedasticity, and serial correlation in the residuals, which are all addressed by the standard errors (Driscoll & Kraay, 1998). As a result, in the following model, we acquire our results adopting a fixed-effects estimating approach.

$$Y_{it} = \beta_0 + \beta_1 X_{it} + \gamma Z_{it} + \varepsilon_{it} \quad (1)$$

where Y_{it} denotes the predicted variable of concern. The variable X_{it} depicts the vector of explanatory variables, whereas γZ_{it} designates the firm-level control variables and ε_{it} is the error term.

Using the following tax avoidance model, we assess whether there exists an impact between tax avoidance and corporate sustainability in Nigerian Stock Exchange and Pakistan Stock Market, respectively.

$$ETR_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 BIG4_{it} + \beta_3 AGE_{it} + \beta_4 ROA_{it} + \beta_5 SIZE_{it} + \varepsilon_{it} \quad (2)$$

where ETR is the tax avoidance, CSR represents the natural logarithm of corporate social responsibility, BIG4 denotes the Big four auditing firms, Age is the number of years since the firms have been established, ROA signifies the Return on Assets, and Size is the natural logarithm of total assets.

We subsequently examine the effect of corporate governance qualities on corporate social responsibility with the evidence of the Nigerian Stock Exchange and Pakistan Stock Market, respectively.

$$CSR_{it} = \beta_0 + \beta_1 GOV_{it} + \beta_2 BIG4_{it} + \beta_3 AGE_{it} + \beta_4 ROA_{it} + \beta_5 SIZE_{it} + \varepsilon_{it} \quad (3)$$

where CSR represents the natural logarithm of corporate social responsibility, GOV is the corporate governance quality (i.e., Board size, Board independence, Board diversity, Board ownership, and Board member nationality), BIG4 denotes the Big four auditing firms, AGE is the number of years the firms have been listed on the stock market, ROA denotes the return on assets, IZE is the natural logarithm of firm size.

4. Result and discussions

4.1. Summary statistics

The summary statistics for the extracted variables for this investigation are available in [Table 1](#). [Table 1](#) shows the Panel A-Statistics for Nigerian Listed Companies and the Panel B-Statistics for Pakistan Listed Companies. The total number of observations, the mean value, the standard deviation, the lowest value, and the maximum value .

5. From Nigerian Perspective

From [Table 1](#) (Panel A), the mean of corporate social responsibility is 16.7, which ranges between 10.6 and 22.4, with a standard deviation of 2.195. The points to the extent of corporate sustainability in Nigerian listed corporations. The mean of tax avoidance is 0.117, and -47.4 is the minimum value, while the maximum value is 8.1 suggesting the level of tax violence.

In the light of corporate management, the mean value of board size is approximately 10 individuals with a minimum value of 4 persons and a maximum value of 20 persons. The presence of independent directors on the board is 72% on average, which ranges between 29% and 100%. The level of board diversity has a mean value of 16.6%, with nil at the minimum and a maximum value of 66.7%. Individual board members own 41.6% of the company's stock, with shares ranging from 0 to 100% at the maximum. While the board nationality is proxied with dummy variables, the standard deviation for the board nationality is 0.214, which denotes that most directors tend to be citizens of Nigeria.

6. For Pakistan perspective

From [Table 1](#) (Panel B), corporate social responsibility is averagely 15.7 with a minimum of 8.5 and 21.5 and has a standard deviation of 1.005. The points to the extent of corporate sustainability in Pakistan-listed corporations. The mean of tax avoidance is -0.097, and -22.32 is the minimum value, while the maximum value is 15.2 suggesting the level of tax aggressiveness.

Regarding the corporate management, the mean value of board size is approximately eight individuals with a minimum value of 5 persons and a maximum value of 17 persons. The presence of independent directors on the board is 11% on average, and it ranges between nil and 80%. The level of board diversity has a mean value of 16.6%, with a maximum value of 90%. Individual

board members own 63.2% of the company's stock, with shares ranging from nil to 99.99% at the maximum. While the board nationality is proxied with dummy variables, the standard deviation for the board nationality is 0.17, which denotes that the few directors tend to be citizens of Pakistan.

6.1. Correlation analysis

[Table 2](#) reports the correlation matrix for this research. Notably, Panel A of the Table presents the correlation matrix for companies listed Nigeria Stock Market. The results indicated that there is no strong association between the variables, meaning that there is no issue of multi-collinearity. From [Table 2](#), the results showed that all the variables are positively correlated with ETR except LNCSR, BSIZE, and BIG4AUD, which are negatively correlated with ETR. However, Panel B shows the correlation matrix for Pakistan listed companies. Similarly, the table demonstrates that all the variables are positively correlated with ETR except BGNDR and ROA, which has negative relation with ETR. The table exposes a low degree of association between the variables. As a result, the models show no evidence of a statistical concern with multicollinearity.

6.2. Main findings

6.2.1. Corporate responsibility and tax avoidance

This section assesses the effect of corporate sustainability on tax avoidance. The goal is to compare the empirical outcomes of Nigerian and Pakistani publicly traded enterprises.

[Table 3](#) presents how corporate sustainability influences tax avoidance in Nigeria. For a robust analysis, [Table 3](#) contains six columns, which report the empirical findings without and with control variables. For most of the outcomes, it is evident that the effect of corporate social responsibility on tax avoidance in Nigeria is significant and positive. To avoid omission bias, control variables (i.e., Big 4 audit firms, firm age, firm profitability and firm size) are included in the analysis. In Nigeria, the impact of firm age, profitability and size on tax avoidance is consistently significant and positive. Moreover, the big four auditors have a negative impact on tax avoidance in the case of Nigeria; however, the negative effect is insignificant.

[Table 4](#) reports the influence of corporate social responsibility on tax avoidance in Pakistan. [Table 4](#) contains six columns, which show the empirical findings without and with control variables for a robust analysis. The effect of corporate social responsibility on tax avoidance in Pakistan is positive but insignificant for all the outcomes. Consistently, the impact of BIG4 is positive and significant on tax avoidance in Pakistan. However, the impact of firm age, profitability and size on tax avoidance is consistently insignificant and positive.

6.2.2. Corporate governance and corporate social responsibility

In this section, we will work on the impact of corporate management on corporate sustainability. The major objective is to compare the outcomes of Nigeria with the Pakistan-listed firms.

[Table 5](#) presents how corporate governance influences corporate social responsibility in Nigeria. [Table 3](#) comprises six columns that show empirical data and control variables simultaneously for a robust analysis. The following outcomes are evident. (1) the influence of board nationality is positive but insignificant on corporate social responsibility; (2) the board owner has negative but insignificant influence on corporate social responsibility; (3) it is evident that the effect of board independence on corporate social responsibility in Nigeria is negative and insignificant; (4) board diversity has a negative but insignificant effect on CSR; (5) the effect of board size on corporate responsibility is negative and insignificant. In addition, firm age and BIG4 on corporate sustainability in Nigeria are consistently positive and significant.

The impact of corporate management on corporate sustainability in Pakistan is reported in [Table 6](#). [Table 3](#) contains six columns, which show the empirical findings with control variables simultaneously for a robust analysis. The following outcomes are evident. (1) the influence of board nationality is

Table 1. Summary statistics

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|---|------|--------|-----------|--------|--------|
| Panel A—Statistics for Nigerian listed companies | | | | | |
| CSR | 397 | 16.734 | 2.195 | 10.597 | 22.353 |
| ETR | 552 | .117 | 2.107 | −47.4 | 8.1 |
| BSIZE | 574 | 9.76 | 2.906 | 4 | 20 |
| BINDP | 575 | .72 | .128 | .29 | 1 |
| BGNDR | 573 | .166 | .128 | 0 | .667 |
| OWCON | 552 | 41.556 | 24.849 | 0 | 100 |
| BNATN | 546 | .18 | .214 | 0 | 1 |
| BIG4 | 559 | .717 | .451 | 0 | 1 |
| AGE | 558 | 45.799 | 64.46 | 2 | 63 |
| ROA | 754 | .059 | .363 | −.886 | 9.269 |
| SIZE | 753 | 7.589 | .928 | 3.96 | 10.17 |
| Panel B—Statistics for Pakistan listed companies | | | | | |
| CSR | 940 | 15.754 | 2.216 | 8.517 | 21.469 |
| ETR | 1152 | −.097 | 1.004 | −22.32 | 15.205 |
| BSIZE | 1152 | 8.403 | 1.673 | 5 | 17 |
| BINDP | 1152 | .176 | .15 | 0 | .8 |
| BGNDR | 1152 | .11 | .5 | 0 | .9 |
| BNATN | 1152 | .096 | .17 | 0 | 1 |
| OWCON | 1152 | 63.241 | 19.939 | 0 | 99.999 |
| AGE | 1152 | 43.378 | 23.924 | 3 | 173 |
| BIG4 | 1152 | .586 | .493 | 0 | 1 |
| ROA | 1152 | .124 | .186 | −.372 | 3.019 |
| SIZE | 1152 | 23.464 | 1.662 | 18.65 | 28.924 |

negative and significant on corporate sustainability; (2) the owner of board has positive but insignificant influence on corporate sustainability; (3) it is evident that the effect of board independence on corporate sustainability in Pakistan is positive and insignificant; (4) board diversity has a negative but insignificant effect on corporate sustainability; (5) the effect of size of board on corporate social responsibility is negative and insignificant. Consistently, the effect of size of firm and return on assets has a significant and positive impact on corporate sustainability in Pakistan.

6.3. Discussion of findings

Table 1 for panel A dataset explores the connection between corporate sustainability and corporate governance and tax avoidance in the emerging market of Nigeria. This study uses descriptive statistics to show that the variable with the highest mean value (41.6%), ownership concentration, outperforms other variables like corporate social responsibility, tax avoidance, board size, board independence, board gender diversity, and board nationality the period 2011 to 2020. Panel B scrutinizes the connection between corporate management, tax avoidance, and corporate sustainability in Pakistan. From 2011 to 2020, summary statistics show that ownership concentration has the highest mean value of 63.2%, suggesting better performance when compared to other variables such as corporate social responsibility, tax avoidance, size of board, board independence, female diversity, and board nationality. From **Table 3**, the outcomes of the study showed that corporate social responsibility has a positive and significant effect on tax avoidance, while, table no.4 indicated that corporate social responsibility has a positive but insignificant association with tax avoidance in case of Pakistan, these findings are consistent with the outcomes of (Abdelfattah & Aboud, 2020). **Table 5** shows the corporate governance variables, indicating that board

Table 2. Correlation matrix

| | ETR | LNCSR | BSIZE | BINDP | BGNDR | BNATN | OWCON | AGE | BIG4 | ROA | SIZE |
|--|-----------|----------|-----------|-----------|-----------|----------|----------|----------|----------|-----------|------|
| Panel A—For Nigerian listed companies | | | | | | | | | | | |
| ETR | 1 | | | | | | | | | | |
| LNCSR | −0.0550 | 1 | | | | | | | | | |
| BSIZE | −0.170*** | 0.512*** | 1 | | | | | | | | |
| BINDP | 0.0550 | −0.0152 | −0.128* | 1 | | | | | | | |
| BGNDR | 0.00274 | 0.117* | −0.0697 | −0.204*** | 1 | | | | | | |
| BNATN | 0.0330 | 0.133** | 0.0644 | 0.267*** | −0.217*** | 1 | | | | | |
| OWCON | 0.0732 | 0.147** | −0.0633 | 0.263*** | −0.119* | 0.527*** | 1 | | | | |
| AGE | 0.00335 | 0.0855 | −0.0241 | −0.00880 | 0.0152 | 0.255*** | 0.114* | 1 | | | |
| BIG4AUD | −0.0464 | 0.146** | 0.0801 | −0.0346 | 0.0952 | −0.0343 | 0.181*** | 0.0617 | 1 | | |
| ROA | 0.0525 | 0.0832 | −0.134** | 0.141** | 0.00425 | 0.105* | 0.203*** | 0.0378 | −0.0322 | 1 | |
| SIZE | 0.0602 | 0.425*** | 0.345*** | −0.0911 | 0.0544 | 0.0482 | 0.0502 | 0.0413 | 0.105* | −0.0850 | 1 |
| Panel B—For Pakistan listed companies | | | | | | | | | | | |
| ETR | 1 | | | | | | | | | | |
| LNCSR | 0.0210 | 1 | | | | | | | | | |
| BSIZE | 0.0666* | 0.310*** | 1 | | | | | | | | |
| BINDP | 0.0354 | 0.232*** | 0.0709* | 1 | | | | | | | |
| BGNDR | −0.0746* | −0.00263 | −0.0848** | −0.00629 | 1 | | | | | | |
| BNATN | 0.0190 | −0.0257 | 0.0420 | −0.0928** | 0.00228 | 1 | | | | | |
| OWCON | 0.0378 | 0.0729* | −0.00585 | 0.0628 | −0.0985** | 0.349*** | 1 | | | | |
| AGE | 0.0358 | 0.124*** | 0.0790* | 0.0430 | −0.0477 | −0.0490 | 0.147*** | 1 | | | |
| BIG4 | 0.0279 | 0.0942** | 0.0620 | 0.136*** | 0.0788* | 0.0971** | 0.0608 | −0.0688* | 1 | | |
| ROA | −0.0202 | 0.140*** | 0.0127 | −0.0138 | 0.00755 | 0.172*** | 0.0380 | −0.104** | 0.0773* | 1 | |
| SIZE | 0.0703* | 0.585*** | 0.361*** | 0.236*** | −0.0915** | 0.0851** | 0.157*** | 0.146*** | 0.116*** | −0.0876** | 1 |

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

nationality has a positive effect on corporate social responsibility, which is consistent with (M. A. M. A. Harjoto et al., 2019). Furthermore, ownership concentration has a negative effect on corporate social responsibility, and the result is similar to (Adel et al., 2019). Moreover, board independence has an insignificant association with corporate social responsibility, and the finding is consistent with the study (Orazalin, 2019). Similarly, there has been an insignificant association between board gender diversity and corporate social responsibility, and the outcome is similar (Amran et al., 2014). Board size also has an insignificant association with corporate social responsibility, and the finding is also consistent with Orazalin (2019) in the context of Nigeria. Contrary to this, in the case of Pakistan, board nationality, board gender diversity, and board size have negative association with corporate social responsibility. The findings are consistent with (Orazalin, 2019). Meanwhile, ownership concentration and board independence have a positive connection with corporate social responsibility in the context of Pakistan. The outcomes are consistent with (Fallah & Mojarad, 2019; Jizi et al., 2014). Our research exposed that board ownership has a negative and insignificant impact on corporate social responsibility in Nigeria, yet it has a positive but insignificant effect on corporate social responsibility in Pakistan. The Agency theory proposes that rising ownership concentration can improve substantial shareholders' supervisory function in management of enterprises (Burkart et al., 1997), thereby limiting managers' judgments and reducing inefficient behavior within enterprises. Nonetheless, equity concentration is likely to result in agency conflicts between major and minor shareholders. CSR has been proven to be negatively correlated with some features of ownership structure (Barnea & Rubin, 2010). Another group of studies, which included involuntary disclosure, establish no link

Table 3. Corporate responsibility and tax avoidance in Nigeria

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---------------------|---------------------|--------------------|----------------------|---------------------|----------------------|----------------------|
| VARIABLES | FE | FE | FE | FE | FE | FE |
| LNCSR | 0.250** (0.122) | 0.274** (0.125) | 0.184 (0.129) | 0.246** (0.122) | 0.243** (0.121) | 0.200 (0.128) |
| BIG4 | | -0.641 (0.707) | | | | -1.189 (0.769) |
| AGE | | | 0.104* (0.0552) | | | 0.129** (0.0576) |
| ROA | | | | 0.688* (1.876) | | 1.421* (1.906) |
| SIZE | | | | | 0.474** (0.191) | 0.491** (0.191) |
| Constant | -4.101** (2.050) | -3.996* (2.053) | -8.076*** (2.939) | -4.087** (2.061) | -7.666*** (2.505) | -12.40*** (3.287) |
| Observations | 395 | 395 | 391 | 386 | 386 | 383 |
| R-squared | 0.013 | 0.016 | 0.024 | 0.013 | 0.032 | 0.052 |
| Number of companies | 76 | 76 | 76 | 76 | 76 | 76 |
| F-test | 4.195 | 2.507 | 3.873 | 2.077 | 5.142 | 3.336 |
| Prob > F | 0.041 | 0.083 | 0.022 | 0.127 | 0.006 | 0.006 |

Standard errors in parentheses

*** p< 0.01, ** p< 0.05, * p< 0.1

Table 4. Corporate social responsibility and tax avoidance in Pakistan

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| VARIABLES | FE | FE | FE | FE | FE | FE |
| LNCSR | 0.00897 (0.0322) | 0.00643 (0.0322) | 0.00204 (0.0335) | 0.00885 (0.0323) | 0.00344 (0.0340) | 0.00295 (0.0343) |
| BIG4 | | 0.248* (0.128) | | | | 0.238* (0.130) |
| AGE | | | 0.00976 (0.0130) | | | 0.00677 (0.0213) |
| ROA | | | | 0.0194 (0.230) | | 0.0273 (0.243) |
| SIZE | | | | | 0.0491 (0.0954) | -0.0124 (0.160) |
| Constant | -0.247 (0.509) | -0.355 (0.511) | -0.574 (0.670) | -0.247 (0.509) | -1.323 (2.151) | -0.307 (3.034) |
| Observations | 940 | 940 | 940 | 940 | 940 | 940 |
| R-squared | 0.001 | 0.005 | 0.008 | 0.001 | 0.004 | 0.050 |
| Number of companies | 112 | 112 | 112 | 112 | 112 | 112 |
| F-test | 0.0777 | 1.914 | 0.320 | 0.0423 | 0.172 | 0.800 |
| Prob > F | 0.781 | 0.148 | 0.727 | 0.959 | 0.842 | 0.550 |

Standard errors in parentheses

*** p< 0.01, ** p< 0.05, * p< 0.1

Table 5. Corporate governance and corporate social responsibility in Nigeria

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|
| VARIABLES | FE | FE | FE | FE | FE | FE |
| BIG4 | 0.805** (0.350) | 0.748** (0.342) | 0.700** (0.347) | 0.722** (0.342) | 0.721** (0.342) | 0.780** (0.358) |
| AGE | 0.118*** (0.0253) | 0.114*** (0.0251) | 0.113*** (0.0256) | 0.127*** (0.0298) | 0.116*** (0.0253) | 0.133*** (0.0313) |
| ROA | 0.647 (0.864) | 0.634 (0.853) | 0.467 (0.860) | 0.540 (0.856) | 0.493 (0.857) | 0.646 (0.876) |
| SIZE | −0.0162 (0.0863) | −0.00311 (0.0854) | −0.0083 (0.0854) | −0.0090 (0.0854) | −0.0085 (0.0855) | −0.0157 (0.0869) |
| BNATN | 0.890 (0.794) | | | | | 0.978 (0.825) |
| OWCON | | −0.00296 (0.00598) | | | | −0.00419 (0.00617) |
| BINDP | | | −0.386 (0.833) | | | −0.311 (0.845) |
| BGNDR | | | | −0.663 (0.919) | | −0.700 (0.935) |
| BSIZE | | | | | −0.0142 (0.0452) | −0.0274 (0.0468) |
| Constant | 10.41*** (1.366) | 10.84*** (1.331) | 11.16*** (1.609) | 10.31*** (1.460) | 10.85*** (1.379) | 10.52*** (1.818) |
| Observations | 379 | 384 | 381 | 381 | 381 | 379 |
| R-squared | 0.106 | 0.099 | 0.102 | 0.103 | 0.101 | 0.110 |
| Number of companies | 76 | 76 | 76 | 76 | 76 | 76 |
| F-test | 7.046 | 6.674 | 6.790 | 6.858 | 6.764 | 4.032 |
| Prob > F | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |

Standard errors in parentheses

*** p< 0.01, ** p< 0.05, * p< 0.1

between corporate sustainability and ownership concentration (Halme & Huse, 1997; Prado-Lorenzo et al., 2009; Roberts, 1992).

7. Conclusion, limitations, and future directions

We currently investigate and extend the nature of corporate social responsibility, corporate governance, and tax avoidance in the case of emerging and frontier markets of Nigeria and Pakistan. We have utilized publicly traded companies listed on both countries' stock markets. The publicly traded companies have been selected since there are few studies on these companies. Finally, this research presents empirical evidence for CSR's effectiveness in Pakistan and Nigeria and offers policy implications for other emerging market economies. Specifically, the article adopts the fixed effect regression approach and the listed firms at Pakistan and Nigeria stock markets from 2011 to 2020 to scrutinize the connection between corporate management, tax avoidance, and CSR. The current research adopts several proxies for the measurement of variables like tax avoidance (ETR), corporate management (board size, board independence, ownership concentration, board nationality, and female gender diversity), and CSR (investment in CSR activities). However, the current research utilized some control variables, including firm size, age, Big4 Auditors, and listing in foreign markets. From Table 2 panels A and B, the outcomes showed that the variables are not strongly correlated with each other, which means there is no issue of

Table 6. Corporate governance and corporate social responsibility in Pakistan

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---------------------|----------------------|----------------------|----------------------|---------------------|---------------------|----------------------|
| VARIABLES | FE | FE | FE | FE | FE | FE |
| BIG4 | −0.0643 (0.132) | −0.0572 (0.133) | −0.0587 (0.133) | −0.0583 (0.133) | −0.0572 (0.133) | −0.0658 (0.133) |
| AGE | −0.00714 (0.0217) | −0.0117 (0.0216) | −0.00710 (0.0225) | −0.0134 (0.0219) | −0.0123 (0.0218) | −0.00444 (0.0230) |
| ROA | 0.975*** (0.245) | 0.930*** (0.245) | 0.924*** (0.246) | 0.928*** (0.246) | 0.931*** (0.246) | 0.957*** (0.247) |
| SIZE | 0.928*** (0.159) | 0.918*** (0.160) | 0.904*** (0.161) | 0.914*** (0.160) | 0.917*** (0.160) | 0.912*** (0.161) |
| BNATN | −1.621** (0.738) | | | | | −1.613** (0.743) |
| OWCON | | 0.00200 (0.00433) | | | | 0.00254 (0.00434) |
| BINDP | | | 0.306 (0.394) | | | 0.252 (0.397) |
| BGNDR | | | | −0.0455 (0.119) | | −0.0399 (0.120) |
| BSIZE | | | | | −0.0057 (0.0539) | −0.0154 (0.0542) |
| Constant | −6.489** (3.068) | −6.728** (3.087) | −6.127* (3.138) | −6.575** (3.078) | −6.557** (3.120) | −6.057* (3.200) |
| Observations | 940 | 940 | 940 | 940 | 940 | 940 |
| R-squared | 0.122 | 0.117 | 0.118 | 0.117 | 0.117 | 0.123 |
| Number of companies | 112 | 112 | 112 | 112 | 112 | 112 |
| F-test | 22.92 | 21.87 | 21.96 | 21.86 | 21.83 | 12.78 |
| Prob > F | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |

Standard errors in parentheses

*** p< 0.01, ** p< 0.05, * p< 0.1

multicollinearity in the data. In the case of Nigeria, our research reveals that corporate sustainability on tax avoidance is significant and positive, as shown in Table 3. Moreover, firm size and age also show a significant and positive influence on tax avoidance in Nigeria. However, BIG4 auditor has a negative and insignificant effect on tax avoidance in Nigeria. In contrast, Table 4 explains that corporate sustainability has a positive but insignificant influence on tax avoidance in Pakistan. Similarly, BIG4 auditor has also a positive and significant effect on tax avoidance in Pakistan. However, firm age, profitability and size have a positive and insignificant effect on tax avoidance. In addition to this, Table 5 shows the effect of corporate management quality variables on corporate sustainability in Nigeria. Firstly, board nationality shows a positive but insignificant relationship with corporate social responsibility, while board ownership, board independence, board diversity, and board size have negative but insignificant relationships with corporate social responsibility. Lastly, firm age and Big4 auditors have a positive and significant connection with corporate social responsibility in Nigeria. Table 6 represents that board nationality shows a negative and significant effect on corporate social responsibility, and board ownership and board independence have positive but insignificant impacts on corporate social responsibility. Similarly, board diversity has a negative and insignificant effect on corporate social responsibility board size has a negative and insignificant influence on corporate social responsibility. Persistently, firm size and ROA have a positive and significant impact on corporate sustainability. Consequently,

the findings of this research suggest the relationship among corporate management, tax avoidance, and corporate sustainability is multidimensional and fluctuates with the country's regulatory and institutional context. This research emphasizes the role of corporate sustainability and country-level management in creating a firm's tax avoidance strategies. It has many consequences for decision-makers, business executives, and academics. It shows that when corporate sustainability is significantly connected with tax avoidance, better country-level governance leads to reduced corporate tax avoidance. In reality, in recent years, academics, corporations, and governments have paid increased attention to CSR. However, the current study has the following limitations, which will enable future researchers to continue work on it. First, our sample size is smaller, and it has only focused on publicly traded companies at Nigeria and Pakistan stock markets, which impacts our findings. As a result, future studies should emphasize large number of firms by focusing on financial firms for instance banking sectors in both the countries. Second, the variables in the current study are focused on old measurements. Future researchers can improve new estimation for the variables. Third, the study only looks at Nigeria and Pakistan markets based on the similarities between them; therefore, future research should look at the comparison study between developing and developed countries to achieve better results. The current study only focuses on fixed effect regression model; future study should look for GMM method and other econometric methods in their analysis. Finally, we evaluate CSR by the amount of money we invest. Future studies should take alternative rating methodologies to measure CSR, for instance, the combined score of ESG to measure CSR disclosure.

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