

Social and ethical factors versus tax fraud: the role of corporate social responsibility in the Romanian context

Stefano Amelio, Patrizia Gazzola, Madalina Vatamanescu and Elena Dinu

Abstract

Purpose – Tax evasion and tax avoidance consistently strip national budgets of tremendous financial resources. Consequently, the discussion on tax fraud remains topical and a moving target subject matter. Various antecedents and moderators of tax fraud have been investigated over the years, yet the literature dedicated to the linkage between corporate social responsibility (CSR) and tax practices exhibited ambiguous results. In this respect, the purpose of this study is to present the results of an investigation into the nonfinancial factors affecting tax fraud and the moderating effect of CSR-related behaviors.

Design/methodology/approach – Structural equation modeling (SEM) was applied in a multivariate statistical analysis technique to analyze structural relationships. The measurement and structural models were evaluated using component-based partial least squares (PLS), a rigorous statistical instrument. The opportunity to use PLS-SEM is supported by the advancement of models comprising both reflective and formative constructs as in the present case.

Findings – Data collected from a sample of 290 respondents from Romania confirmed that social and ethical factors significantly impact tax fraud and CSR-related behaviors. In addition, the latter plays a moderating effect between nonfinancial factors and tax fraud.

Research limitations/implications – The research sample is country-centric (i.e. subjects come from Romania) while the questionnaire-based survey relies on self-reported measures.

Originality/value – The paper adds new evidence to the extant knowledge and points to theoretical and managerial implications.

Keywords Corporate social responsibility (CSR), Tax fraud, Nonfinancial factors, Ethical factors, Social factors

Paper type Research paper

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1. Introduction

Over the past years, various debates on organizations actively evading or avoiding paying the right amount of tax have become a major public issue and a hot topic. This situation was determined by the fact that taxation springs as a pivotal element in modern states' functioning as an essential element in the social contract between government and citizens (Boden *et al.*, 2010, p. 541). Even though Transparency International (2021) reports pointed to the multiple governmental promises to reduce corruption, no significant progress has been made over the past decade, leading to calls for greater accountability, transparency and corporate social responsibility (CSR).

The obligation to pay taxes has been generally considered a legal and moral duty throughout history, though the reasons underlying this duty have been debated in the socio-economic disciplines. Either following religious precepts, rules imposed by the leaders or ethical duties toward the community members, tax evasion has been deemed not only illegal but also unethical. However, the moral grounds for paying taxes have been

questioned by some who factored in aspects such as the equity of benefits received by taxpayers proportionally to their contribution, the government's morality or corruption, the debtors' impossibility to be exempted from paying for specific state spending contrary to their beliefs (e.g. military expenses) (McGee, 2006). Following this line of thought, tax evasion appears as an example of controversial corporate social and environmental behavior that companies could justify in a pluralist moral framework, as the understanding of "doing good" in business relies on moral consensus but derives primarily from legal obligations (Eabrasu, 2012).

The underlying relationships between corporate social responsibility and taxation have found fertile ground in the specialized literature, reaching a peak during the past ten years (Sikka, 2010; Huseynov and Klamm, 2012; Hasseldine and Morris, 2013; Hoi *et al.*, 2013; Lanis and Richardson, 2015; Davis *et al.*, 2016; Sikka, 2017; Lin *et al.*, 2017; Wilde and Wilson, 2018; Beer *et al.*, 2020; Chapman, 2021; Kovermann and Velte, 2021; Uba *et al.*, 2023). Whait *et al.* (2018) attempted to identify the issues present in the relationship between CSR and taxation, with the aim of systematizing academic research and highlighting existing gaps, conducting an integrative literature review. The authors highlight that there are numerous articles studying the link between CSR and tax aggressiveness, using quantitative methodologies and focusing on limited geographical areas (Avi-Yonah, 2014; Laguir *et al.*, 2015; Lanis *et al.*, 2017; Zeng, 2016), whose results are mixed and contrasting for various reasons.

The lack of decisive contributions in this regard highlights significant problems in interpreting the relationship between CSR and tax evasion. Moon and Vallentin (2020) highlight several reasons for this shortcoming: linking taxes to the CSR debate is a political, ideological and cultural issue; the payment of taxes is seen as compulsory; there is a clear divide and lack of dialogue between tax experts and CSR experts; tax evasion has a dimension that transcends company borders. Still, companies that engage in CSR tend to include it in their corporate strategy (Colombo and Gazzola, 2014), paying special attention to the different stakeholders and their interests and taking concrete actions aimed at creating social welfare, promoting morality, responsibility and integrity (Gazzola, 2012). In this vein, engaging in fiscal responsibility implies avoiding actions and behaviors that could benefit the company but be to the detriment of society in general. Companies that do so value social interests above or alongside personal gain, fostering balanced and stable social growth (Zicari and Renouard, 2018).

Carroll (1991) proposed a pyramidal model of CSR in business, comprising economic, legal, ethical and philanthropic responsibilities. A company behaves ethically and is "fiscally responsible" when it pays its fair share of tax and conducts its business without seeking ploys or tricks to circumvent the tax system and without using its influence on governments to prevail over collective interests (Hoi *et al.*, 2013). Using the notion of CSR and fiscal responsibility, companies could become key agents in guiding and developing a "tax culture" in a positive way by considering taxes and taxation as tools to finance social welfare instead of negative ones focused on tax withdrawal. This could be a positive first step toward tackling fraud (Gichure, 2000) and evasion.

Ongoing debate attempts to analyze the relationship between CSR and tax evasion, or fraud have considered country-level governance as a variable, pointing to legal and institutional differences (Gulzar *et al.*, 2018; Watson, 2015; Zeng, 2019). These studies show that the relationship between CSR and tax evasion varies depending on the weakness of governance at the country level. Likewise, Whait *et al.* (2018) highlight the importance of country-specific factors that might play a significant role in this relationship. Steinmo (2018) wonders why some people are more likely to pay taxes than others. In particular, while in some countries the government manages to collect more than 90% of taxes due, in others tax evasion leads to collection levels of up to 30%. According to Washington Post (2020) which refers to Organization for Economic Co-operation and Development data, tax cheats

worldwide top over US\$400bn yearly and Europe is the hardest affected region, with an estimated US\$184bn, while the USA alone loses US\$90bn. Moreover, [European Commission \(2019\)](#) data indicates that tax avoidance reflected in offshore wealth in 2016 reached US\$7.8tn or 10.4% of global gross domestic product.

The differences in tax administration between countries could be because of a number of reasons: the efficiency of state tax administration, the relationship between the central state and citizens and cultural differences resulting from history. Political and fiscal institutions, therefore, play a key role in influencing people's behavior (as also posited by the institutionalist theory) ([Steinmo et al., 1992](#)). In this sense, the current study intends to address the relationships among the propelling factors for tax fraud, CSR-related behaviors and tax fraud in Romania, thus promoting a phenomenological approach to the studied issue. In Romania, the tax burden is low, but at the same time tax evasion is very high ([Todor, 2018](#)). The citizen-state relationship is characterized by mistrust, because of widespread corruption and inefficiency of the state administration. Historically and culturally, Romania has never developed a strong sense of identity and belonging to the state, as the state was under the control of a foreign power (i.e. the Soviet bloc) ([Volintiru, 2018](#)). This is one reason why Romania has failed to create a sense of belonging and build an efficient tax system.

Building upon these premises, the remainder of the paper was organized as follows. Section 2 of the argumentative discourse highlights the main relationships among the targeted constructs thus supporting the research hypotheses. Next, the methodological parameters of the empirical research are introduced with a view to account for the conceptual and structural models in Section 3. Section 4 presents the results and their discussion. Section 5 looks into the conclusion and limitations of the study, consequently proposing future research directions.

2. Literature review and hypotheses development

2.1 *Relationship between the nonfinancial factors and tax fraud*

[Mintzberg \(1983, p. 10\)](#), while assessing the literature on CSR, stressed the business conundrum, where executives are under pressure to achieve economic performance, and thus "it pays to be good but not too good" as most CSR benefits are intangible and do not pay out at least on the short term. Nevertheless, the paradox is that society would not survive and improve without ethical decisions.

It is agreed in the literature that tax evasion is illegal, while tax avoidance, which seeks to exploit normative loopholes and diminish taxable profits and assets, is not ([Jenkins and Newell, 2013](#)). Nevertheless, they both weaken the state functions and services (e.g. education) and socio-economic developments (e.g. road systems), which impact private economic activities, too. [Payne and Raiborn \(2018\)](#) stressed the importance of fair treatment for all taxpayers and the unethical nature of normative loopholes that allow tax avoidance.

[Jenkins and Newell \(2013\)](#) recommend that strategies to diminish tax avoidance should include the elimination of transfer pricing and establishing unnecessary business structures abroad, tax transparency by companies and country-by-country reporting and civil society involvement. Many of these measures have been included in the standards developed by the Global Reporting Initiative entitled GRI 207 Tax 2019. They support the disclosure of information by companies with a view to increase transparency about tax approach, tax governance and stakeholder engagement ([GRI, 2019](#)).

Tax evasion is a violation of the law, while avoidance uses legal practices in pursuit of an illegal purpose ([Hanlon and Heitzman, 2010](#)). There are numerous examples of corporate tax avoidance, including managing profits, manipulating costs and revenues and setting up offices in tax paradises ([Taylor et al., 2015](#)), the result of which is an inadequate contribution

to the public good of the society in which the company operates. Tax avoidance could be defined as “the lawful use of the tax system to one’s own advantage in order to reduce the amount of tax payable, by means within the law or at least within the letter of the law” (Knuutinen, 2014, p. 59), but not within the spirit of the law. This is the reason why avoidance is debated in the literature on corporate social responsibility issues.

It has been argued in the literature that tax evasion can be viewed as a means of supporting firm growth and is sometimes justified by companies on the basis that private sector spending tends to be more efficient (Mickiewicz *et al.*, 2019). Nevertheless, most companies pay taxes and see this behavior as a duty to contribute to society. Mickiewicz *et al.* (2019) have empirically established that the relationship between businesses’ inclination to comply with tax payment obligations is dependent on the perception of the tax authorities’ legitimacy (confidence in government and the fairness of the tax system), the firms’/executive’s sentiment of belonging to the nation as well as their perceptions of the risk and severity of punishment in case of noncompliance.

These findings also confirm previous research that showed lower tax payment propensity is linked with lower institutional quality, even in the case of firms claiming to uphold CSR values (Lin *et al.*, 2017). There is a significant linkage between the corruption of authorities’ representatives and employees and tax evasion. Similarly, poor work ethics and low morality in business are related to tax evasion. Moreover, overburdening and complex governmental tax regulations increase the likelihood of tax evasion (Rashid *et al.*, 2022). Gokalp *et al.* (2017) found a direct relationship between tax evasion and the pressure of informal businesses on formal ones, generating unfair competition. On the other hand, access to external financing increases tax compliance and decreases the aforementioned pressure. Finally, a greater tax burden leads to diminished compliance.

Several studies have revealed that there are nonfinancial factors that have led to tax avoidance or evasion behaviors (Richardson, 2006; Todor, 2018; Volintiru, 2018), and it can be seen that the history of a country and the behavior of the country’s institutions have a considerable influence on the behavior of citizens. In Romania, for example, the determinants of tax evasion and fraud are mainly noneconomic and nonfinancial (Mârț, 2020), the main cause being the communist and post-communist history of the state. This situation has determined citizens not to trust authorities because of widespread corruption and inefficiency of the state administration. The state has failed to consolidate a strong sense of identity and belonging to the established regulations which found no public support in terms of morality and fairness. In this vein, we infer that:

H1. Nonfinancial factors influence tax fraud.

2.2 Corporate social responsibility-related behaviors as a mediator between nonfinancial factors and tax fraud

In the European Commission’s (2011, p. 6) definition, CSR is “the responsibility of enterprises for their impacts on society,” and this implies compliance (Shafer and Wang, 2018) with the applicable legislation, the collective agreements between social partners and a business strategy integrating social, environmental, ethical, human rights and consumer concerns. Companies should aim at maximizing the (Co.)creation of shared value for their owners/shareholders, other stakeholders and society at large while identifying, preventing and mitigating their possible adverse impacts.

CSR – considered a reflection of social morals, norms and values (Zeng, 2016, p. 247) – has often been seen as a problem in terms of tax evasion, but it can also be treated as a solution to the same problem (Moon and Vallentin, 2020). It is relevant that those who engage in forms of tax evasion or tax avoidance are subject to social denial. Thus, CSR emerges as a model capable of improving community life, even if not to the point of complete transformation. A real challenge is to identify new areas in which to encourage

responsibility and make accountability a fundamental element in the way businesses operate.

Fiscal responsibility (Dillard and Layzell, 2014) could be a first step in this direction. Fiscal responsibility needs to be part of CSR, and CSR could be seen as a form of “soft law” tool that can be used to promote tax compliance goals (Bird and Davis-Nozemack, 2018). Companies should be required to include information on responsible taxation and accountability for their actual tax contribution in countries where they do business (Avi-Yonah, 2008).

Unlike Wenzel (2004), who confirmed the primary influence of external social norms, Bobek *et al.* (2013) found that tax compliance is linked to individuals' ethical beliefs and the expectations of those close to them, while societal expectations have an indirect impact. Further empirical findings about tax practices being linked with entrepreneurs' morale, satisfaction with the quality of governance and denseness of tax regulations have been brought by Nikulin (2020) on a Polish sample of enterprises. Ghosh and Crain (1995) empirically established that taxpayers' low ethical standards and risk propensity directly relate to tax evasion behaviors. In this respect, Wu (2002) confirmed a link between corporate and individual ethics and organizational performance, while outstanding-performing small and medium-sized enterprises seem to reject unethical tax practices. Family and religious values were significantly linked with low tax evasion inclination in a study on a sample of managers from 47 countries (Vo *et al.*, 2022). Furthermore, unlike their female counterparts, male managers are readily willing to justify unethical business behaviors like bribery and tax evasion (Chen *et al.*, 2016).

Contrary to Fourati *et al.* (2019), Davis *et al.* (2016) and Preuß and Björn (2017), who posited, following empirical research, that companies whose strategy focuses on CSR activities tend to be, at the same time, tax avoidant, Hoi *et al.* (2013) and Lanis and Richardson (2015) found that companies with low CSR responsibility are also aggressive about tax compliance. On the other hand, stronger stakeholder orientation and limited financial resources lead to increased tax avoidance, as executives prioritize stakeholders such as employees over the government (Chen *et al.*, 2022).

Throughout the years, governments and societies have considered that the best way to combat tax avoidance and evasion is by imposing punitive measures. These measures are appropriate but not sufficient to tackle behavior – it is equally important to create, share and foster positive tax-related role models, showing the benefits of paying taxes and creating a positive context for all (Gazzola, 2012). It must be shown that a huge contribution can be made by companies, which can use this to improve their visibility, image and reach to set a positive example and thus benefit everyone. If this positive behavior were embraced, tax offenses could become exceptions to be denounced as unacceptable behavior adopted by only a small number of individuals and companies (Gazzola, 2012; Colombo and Gazzola, 2014). Starting from these considerations, we presume that:

- H2. Nonfinancial factors influence the emergence of CSR-related behaviors.
- H3. CSR-related behaviors moderate the relationship between nonfinancial factors and tax fraud.

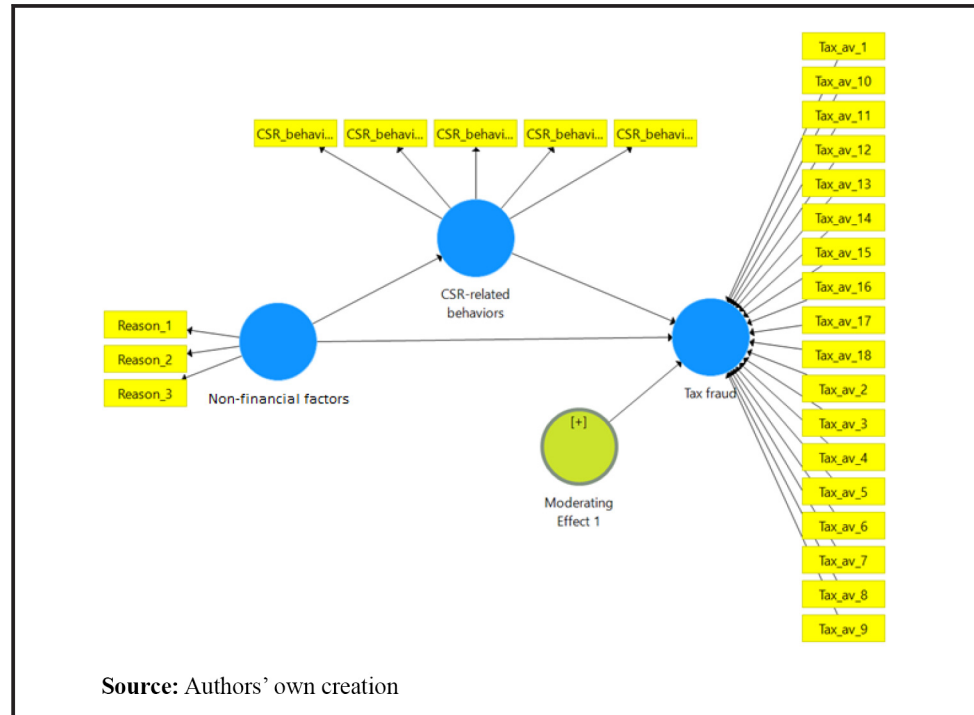
By conflating the inferred relationships, the following conceptual model was developed (Figure 1).

3. Materials and method

3.1 Data collection and research sample

A questionnaire-based survey was administered through email and social media among Romanian respondents from January to June 2021. The collection of data was ensured by two facilitators working in CSR-connected positions and followed a snowball sampling

Figure 1 Conceptual model



technique. A total of 290 individuals have completed the questionnaire which mainly addressed issues related to the factors determining tax fraud and the CSR-related behaviors meant to moderate the relationship. In terms of socio-demographic data, 75.17% of the respondents were female, almost 90% were aged below 40 years old, 45.17% had a bachelor's degree, 24.14% had a master's degree while 18.28% were still undergraduates and 10% had a PhD. Almost 37% of the participants in the study were full-time employees, professionals or entrepreneurs whereas 63% were still students.

The questionnaire contained three distinct sections. The first section included questions related to personal information such as gender, age, education level, place of work/role and residence information. These questions are useful for understanding the general and personal elements that allow the classification of respondents. The second section contained questions relating to respondents' knowledge of tax evasion and fraud. The third section of the questionnaire concerned personal assessments of the main factors that lead taxpayers to evade or avoid tax obligations and the effectiveness of tax-oriented corporate social responsibility behaviors.

3.2 Method and technique

Structural equation modeling (SEM) was applied in a multivariate statistical analysis technique to analyze structural relationships (Abdel-Maksoud *et al.*, 2021; Namazi and Rezaei, 2023). The measurement and structural models were evaluated using component-based partial least squares (PLS), a rigorous statistical instrument (Hair *et al.*, 2014). To perform the analysis, SmartPLS 4 statistical software was used (Ringle *et al.*, 2022). By means of PLS-SEM computations, the application allows researchers to advance and test exploratory models comprising both reflective and formative constructs as in the present case.

3.2.1 *Measures*. In terms of conceptual measures, the first measure – *Nonfinancial factors* – was designed as a reflective construct comprising three indicators. The second measure – *CSR-related behaviors* – was also created as a reflective factor comprising five indicators whereas the third measure – *Tax fraud* – was designed as a formative construct comprising 18 indicators referring both to tax avoidance and tax evasion. The references for the formulation of all constructs are mentioned in [Table 1](#).

3.2.2 *Measurement model assessment*. At first glance, the model displayed a very good fit as the Standardized Root Mean Squared Residual (SRMR) is 0.047, hence lower than the threshold of 0.08. In line with [Thompson et al. \(1995\)](#), specific measures are needed to assess the measurement model's convergent validity: individual item reliability, composite

Table 1 Psychometric properties of the constructs

Constructs	Items	Sources (derived from)	CR	AVE
Nonfinancial factors for tax fraud (<i>Reflective construct</i>)	R1. Refusal to finance an ineffective Government R2. Tax morality (people think government is badly using public resources) R3. Herd behavior ("if others do that, why can't I do so?")	Richardson (2006) ; Todor (2018) ; Volintiru (2018) ; Mârț (2020)	0.800	0.572
CSR-related behaviors (<i>Reflective construct</i>)	CSR1. Cooperate with public Administration in monitoring the community CSR2. Is it relevant to build up, as citizens, corporations and public institutions, social responsibility models to oppose these phenomena CSR3. More transparency of the society with Administrations and community CSR4. Creation of an internal White-Black list for suppliers and customers CSR5. Develop initiatives aimed to diffuse a fiscal culture (ex. events in which is explained the relevance of taxes for everybody's life)	Lin et al. (2017) ; Lanis and Richardson (2017)	0.843	0.519
Tax fraud (<i>Formative construct</i>)	Tax_av_1. Omission in social security contribution payment Tax_av_2. Rent under the counter (or in black) Tax_av_3. Abusive game activities (legal activity executed without requested permissions) Tax_av_4. Ghost houses/terrains (not declared to authorities) Tax_av_5. Gambles under the counter Tax_av_6. Illegal game (the activity is illegal) Tax_av_7. Omitted release of invoices/receipts Tax_av_8. Tax credits or deductions not due Tax_av_9. Fake societies and similar entities with the aim to avoid tax payment Tax_av_10. Fake non-profit organizations Tax_av_11. VAT and custom duties fraud Tax_av_12. Excise fraud Tax_av_13. Tax withholdings fraud Tax_av_14. Sham corporation (societies which issue fake invoices to another society) Tax_av_15. Properties (houses, goods, money, jewelry, etc.) detention without any declaration to authorities Tax_av_16. Aggressive tax planning Tax_av_17. Transfer pricing among societies of the same group Tax_av_18. Illegal capital transfer (in Countries where taxation is advantageous)	Jenkins and Newell (2013) ; Wu (2002)	Not applicable for formative constructs	Not applicable for formative constructs

Source: Authors' own creation

reliability and discriminant validity. Consequently, the cross-loadings of the indicators, average variance extracted (AVE) and composite reliability (CR), were tested to evaluate the convergent validity. Also, Cronbach's alpha values of all indicators were looked into, and it was concluded that they surpassed the acceptable level of 0.6 (Nunnally and Bernstein, 1994). The CR values were above 0.7 while the AVE values were greater than 0.50, as shown in Table 1. Table 1 presents the psychometric properties of the constructs.

The discriminant validity of the measurement model was explored by comparing the square roots of the AVEs to other correlation scores in the correlation matrix. The obtained values complied with the criterion of Fornell and Larcker (1981), the measures of each construct were closer to their inherent items than with other constructs' indicators (Table 2). Also, the assessment of the Heterotrait–Monotrait ratio (HTMT) retrieved suitable results, the maximum obtained value being 0.397 (which is below the threshold of 0.85).

The level of multicollinearity between indicators was evaluated using the variance inflation factors (VIF), pursuant to Diamantopoulos and Siguaw (2006). All the values ranged between 1 and 3.7 (thus less than 5), indicating the absence of multicollinearity.

4. Results and discussion

According to Hair et al. (2022), the estimation of the structural model was based on the testing of the following values: R^2 , beta and t -values (Table 3). A bootstrapping approach with 5,000 sub-samples was unfolded to assess the inferred hypotheses (as shown in Figure 2).

According to the results, the proposed model explains 46.2% of the variance of Tax fraud (R square = 46.2%), validating the advancement of a substantial model.

The analysis indicated that all three hypotheses were confirmed in the context of the present research. $H1$ – Nonfinancial factors influence tax fraud – was supported ($\beta = 0.219$, p -value = 0.001), pointing to the fact that there is a significant positive relationship between the two constructs. Once the drivers of tax fraud are activated, it does not take long for the results to objectivize.

Table 2 Discriminant validity according to Fornell and Larcker (1981)

	CSR-related behaviors	Nonfinancial factors for tax fraud	Tax fraud
CSR-related behaviors	0.780		
Nonfinancial factors for tax fraud	0.280	0.756	
Tax fraud	0.647	0.356	–

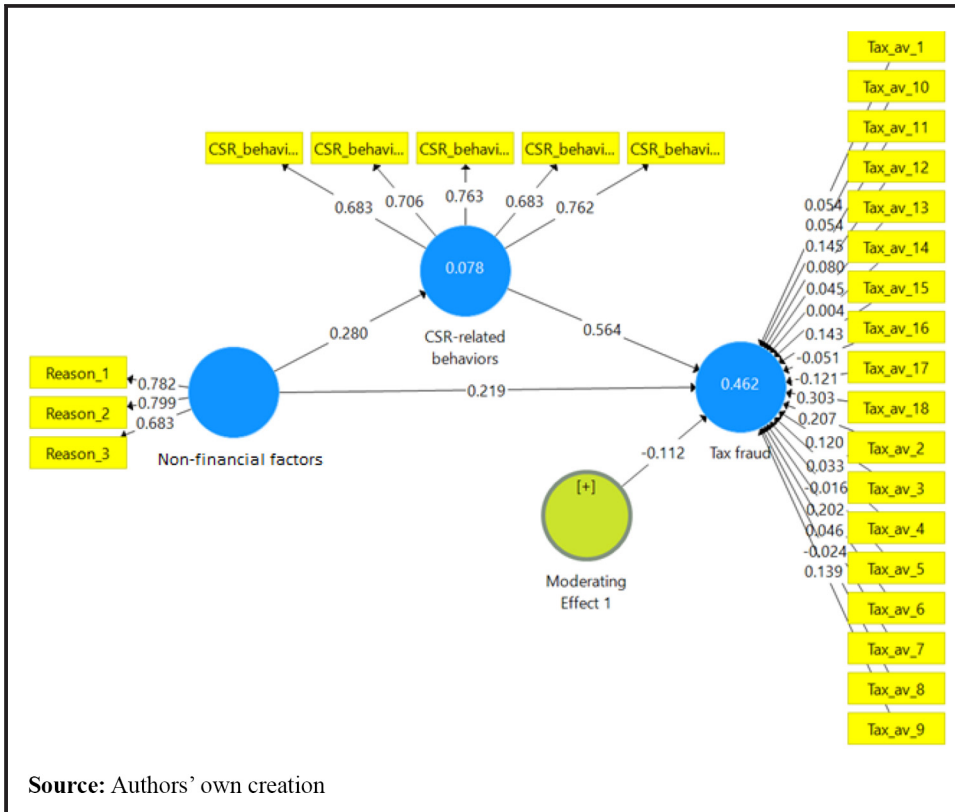
Source: Authors' own creation

Table 3 Structural model assessment

Relationships	Original sample (O)	Sample mean (M)	SD ($STDEV$)	T statistics ($ O/STDEV $)	p values	Hypothesis validation
Nonfinancial factors for tax fraud → Tax fraud	0.219	0.223	0.069	3.191	0.001	$H1$ Supported
Nonfinancial factors for tax fraud → CSR-related behaviors	0.280	0.286	0.049	5.658	0.000	$H2$ Supported
Moderating effect 1 → Tax fraud	–0.112	–0.103	0.044	2.543	0.011	$H3$ Supported

Source: Authors' own creation

Figure 2 Structural model



H2 – Nonfinancial factors influence the emergence of CSR-related behaviors – was supported ($\beta = 0.280$, p -value = 0.000), thus showing the generation of corporate behaviors aimed to create wellness for the entire context where the society operates as a result of the exceeding drivers for tax fraud.

H3 – CSR-related behaviors moderate the relationship between nonfinancial factors and tax fraud – was also confirmed by the empirical undertaking ($\beta = -0.112$, p -value = 0.011). These findings probe that the appearance and intervention of CSR-related behaviors in the equation of the propelling nonfinancial factors and tax fraud succeeds in reducing the impact of the former on the latter, by exerting a negative impact. This also highlights the importance of supporting the development of corporate behaviors that rely on responsibility, accountability and integrity.

Data analysis reveals that various ethical and social factors drive tax fraud, which aligns with the literature in the field (Taylor *et al.*, 2015; Lin *et al.*, 2017; Todor, 2018; Volintiru, 2018; Mickiewicz *et al.*, 2019). H1 confirmed that companies which engage in aggressive tax avoidance through pricing and capital transfer, or miscellaneous illegal behaviors, such as tax and excise fraud, nonpayment of financial duties, property non-registration or concealing of properties accrued in fiscal tax havens, the establishment of sham entities abroad and use of false justificatory documentation and so on, may be motivated by socio-cultural reasons but also narrow ethical values.

On the one hand, in countries with weaker governments and fiscal institutions, especially in countries where the perceived level of corruption is higher, taxpayers are less motivated to contribute to the state or local budget. Their attitude toward fiscal taxes and duties is further determined by the perceived low institutional efficiency and ambiguous or complex

regulations. Moreover, the contributors' behavior may be spurred by the perception of inequality between the position of community members, as some may benefit more from public spending than others. On the other hand, in such a context, business leaders with shallow ethical beliefs may feel disconnected from the communities and inclined to follow illegal practices justified by the assumption that they should behave as many others do, as feelings of solidarity are dulled.

Pursuant to [Koveshnikov et al. \(2022\)](#) and [Vătămănescu et al. \(2022\)](#), given that emphasis was laid on the Romanian context as indicative of the post-communist climate, additional issues may rise as relevant. To start with, in some post-communist societies, there may be a cultural norm of mistrust toward government institutions, stemming from experiences of corruption and inefficiency during the communist era. This can lead to a perceived justification for tax evasion as a form of resistance or self-preservation. Second, the transition from a planned economy to a market economy often involves a period of economic instability and inequality, which can contribute to tax fraud as individuals and businesses seek to protect or enhance their financial position. The development of effective legal and regulatory frameworks may lag behind economic reforms, leading to loopholes and inefficiencies that can be exploited for tax fraud. Third, high levels of corruption and low public confidence in the integrity of public officials can reduce voluntary compliance with tax laws and encourage fraudulent behaviors. As inferred by the studies in the field ([Koveshnikov et al., 2022](#); [Vătămănescu et al., 2022](#)), post-communist countries may have large informal sectors that arose as a way to circumvent state controls. The persistence of these informal economic activities can make tax compliance more complex and fraud more prevalent. The perception of tax fairness and the effectiveness of government spending can affect the willingness of citizens and businesses to pay taxes. If taxpayers believe that their tax contributions are not leading to public benefits, tax morale may be low and tax fraud more likely. Finally, strong informal networks, which were often necessary for survival under communist regimes, may persist and be used to facilitate and justify tax evasion and fraudulent practices. Nevertheless, while these are common themes observed in post-communist countries, the specific degree and manner in which social factors contribute to tax fraud can vary from one country to another, depending on its unique historical, economic and cultural context.

For the reasons already mentioned above, companies' attitudes toward social responsibility may suffer, when the perceived benefits of their fiscal responsibility do not match their expectations. Therefore, firms may feel less inclined to cooperate with the authorities regarding tax administration, particularly when they identify a lack of transparency or a weak sense of common development aspirations. That is why establishing social partnerships for development projects with the communities and authorities may lead to a stronger fiscal culture, as [Gazzola \(2012\)](#) envisaged, and the data confirmed (*H2*).

The investigation data also showed that CSR-related behaviors negatively affect the relationship between nonfinancial factors and tax fraud (*H3*). On this front, CSR-related endeavors can limit tax fraud through various mechanisms. On the one hand, engaging in CSR can enhance a company's reputation. Companies concerned with maintaining a positive public image are often less likely to engage in tax fraud or other unethical financial practices. CSR is indicative of a company's commitment to ethical business practices (as also implied by [Ferioli et al., 2022](#)). A strong ethical culture can discourage tax fraud and encourage compliance with tax laws. In terms of accountability, CSR often involves reporting and transparency measures that can bring financial dealings, including tax-related actions, into the public eye. This transparency can act as a deterrent to tax fraud.

On the other hand, as also inferred by the extant literature ([Vătămănescu et al., 2021, 2024](#); [Gazzola et al., 2024](#)), CSR activities can promote trust between the company, its stakeholders and the public. As trust grows, companies may be compelled to uphold higher ethical standards including rightful payment of taxes. Companies engaged in CSR are usually

cognizant of legal compliance as part of their broader social responsibilities, which would include adherence to tax laws. Eventually, CSR can attract investors who prioritize ethical and responsible business conduct. Such investors can serve as a stabilizing force, advocating for compliance and fair dealing, including tax matters. By embodying CSR, companies may reinforce a commitment to lawful and ethical behavior, which includes accurate and transparent reporting of income for taxation. This can help to reduce instances of tax fraud.

5. Conclusions and implications

This study brings new evidence on the impact of corporate social responsibility on companies' fiscal behaviors. While the extant literature indicates an ambivalent relationship between CSR and firms' tax practices, data obtained during this investigation confirms a significant influence of driving nonfinancial factors on tax fraud and CSR-related behaviors. At the same time, CSR has an impactful moderating effect on illicit and unethical tax practices.

From a theoretical perspective, this paper upholds the view that tax payment as part of corporate social responsibility has both legal and ethical dimensions, as taxpayers understand and recognize the socioeconomic effects of their behavior beyond the legal norms applicable and the impact it makes on communities. Through a three-factor model, the research has revealed that contextual and phenomenological factors have the capacity to determine a specific approach among organizational actors and their decision-makers. The behavior of entrepreneurs and managers is significantly influenced by the refusal to finance an ineffective government, by the assumption of badly using public resources) and by herd behavior, therefore confirming the intricate relationships between nonfinancial drivers and their financial outcomes.

From a managerial point of view, the research reinforces the outlook that it pays to be good from a fiscal perspective even when the short-term benefits are not in sight, as the position of the company as a community member improves and the alternative does not render better outcomes. It also signals that the Governmental authorities should reevaluate the consequences of their poor social image among companies and should act toward improving their communication with the stakeholders based on articulate actions and consistent strategies. Treating the situation in an inertial manner is liable to conduce to the exacerbation of tax fraud and the effect of CSR-related behaviors may prove insufficient in time.

From a bird's eye view, the limitations of the research are related to the sample's demographic characteristics and the expected subjectivity of the replies since tax evasion admission is a sensitive topic. Future investigations could concern a different sample configuration, by involving, for example, subjects from different countries or various industrial sectors. Within the scope of the current research, the focus was on Romania, as a representative case for the post-communist countries which, over the years, have struggled to legally and ethically limit the issues of tax fraud. By proposing an exploratory model, the paper has delved into the national context richness as a prerequisite for conducting similar research in other countries with a low level of psychic distance.

Further, the measures are self-reported, thus implying a certain degree of bias. Tax fraud was designed as a formative construct covering both tax evasion and tax avoidance. In this sense, future studies may benefit from disentangling the two dimensions into different constructs. Additionally, the consideration of other relevant factors under the aegis of the conceptual model (i.e. financial factors) may lead to a more thorough picture of the state-of-the-art in the field.

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