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ESG DISCLOSURE, TAX PLANNING, AND OPERATIONAL EFFICIENCY: EVIDENCE FROM THAILAND'S LISTED COMPANIES

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Abstract
This research examines how sustainability reporting impacts operational efficiency through tax planning for companies listed on the Stock Exchange of Thailand (SET). Using secondary data from SET-listed firms between 2021 and 2023, sourced from the SET SMART and Bloomberg Terminal, the study employs quantitative and statistical analysis methods to test the hypotheses. The findings suggest that corporate governance (GOV) and tax planning (ETR) significantly influence operational efficiency. The study identifies environmental (ENV) and social (SOC) aspects as factors affecting tax planning, with environmental disclosure showing a negative influence and social disclosure showing a positive influence. Also, the disclosure of sustainability reporting information related to operational efficiency, particularly through tax planning, is found to encompass both environmental and social factors. This research enhances the understanding of sustainability information disclosure, operational efficiency, and tax planning, emphasizing that prioritizing investor decisions, policy oversight, and tax supervision can enhance internal control within organizations. The study supports the development of tax planning strategies and sustainable business practices.
Keywords: Sustainability Reporting, ESG, Tax Planning, Operational Efficiency, Thailand

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Introduction

Currently, the entire world, including Thailand, is confronted with the challenge of a rapidly changing climate that contributes to global warming. Rising temperatures impact human health and livelihoods. The primary causes are emissions and the unsustainable use of resources (Asawabanjongpol, 2021). In light of the depletion of the world's natural resources, businesses face significant challenges in their operations today as they strive to maximize profit. Efficient resource use is essential to set a societal example (Thaipat Institute, 2024). Recognizing that those in power can also incur losses is vital for fostering stability among business leaders (Chantabutr, 2022). It is crucial to emphasize the importance of conducting business that considers three main areas of responsibility: the environment, society, and corporate governance. Additionally, the concept of sustainable business development is gaining increased attention. Businesses must adapt to address emerging challenges, such as risks and opportunities that affect operations (Prasongtham et al., 2022). In developing a sustainable organization, it is crucial for every business to focus on this goal. Companies must adapt to address emerging challenges, including the risks and opportunities that affect their operations (Prasongtham et al., 2022). Thus, creating a sustainable organization is essential for all businesses. This involves management that prioritizes environmental, social, and corporate governance (ESG) responsibilities, a concept rooted in CSR principles (Saengpao et al., 2023). Implementing ESG principles will enable businesses to pursue profits while also considering environmental protection, social responsibility, and corporate governance (Malaipia et al., 2024). Establishing transparency around social activities related to sustainable development serves as an effective mechanism that can significantly benefit businesses. This approach not only adds value to a company but also enhances its competitive success and contributes to long-term growth.

Reporting sustainability information (ESG Reporting) is vital for businesses to reflect on their environmental, social, and governance impacts. It allows investors and stakeholders to evaluate business performance across various dimensions, not solely financial ones (Gond et al., 2011). Disclosing this information promotes transparency and builds investor confidence. Creating additional value for businesses through effective sustainability management is crucial. Companies that provide robust sustainability disclosures generally experience higher operating efficiency than those that disclose less information (Samritpradit, 2022). Tax planning acts as a strategic tool that enables companies to disclose information aimed at enhancing operational efficiency. It encompasses tax planning strategies that integrate ESG disclosures, which directly affect the operating efficiency of companies listed on the Stock Exchange of Thailand. Business operations must prioritize adjusting strategies. Companies with high ESG scores and transparent ESG information disclosure are likely to generate additional value for shareholders and manage taxes effectively. This study underscores the importance of disclosing ESG information for sustainable organizational development and improving long-term competitiveness. The research found that effective tax planning can help reduce expenses, leading to lower costs and improved business performance (Widianti & Prasetyo, 2023). Moreover, effective sustainability disclosures can enhance a company's image and boost its competitiveness in the market. Disclosing information on sustainability reporting in businesses improves reputation and influences operating results and long-term stability. A key factor in attracting investors is a commitment to sustainability and effective management (Melinda & Wardhani, 2020). This commitment fosters a positive image of the company and builds trust among stakeholders and investors.

Therefore, it is interesting that when businesses report information on sustainability or ESG across all three areas, it raises the question of whether this will positively influence operations, including tax planning. This will assist executives and stakeholders in utilizing the information to develop or adjust policies in response to changing circumstances. Additionally, investors can use this information as a guideline for making informed decisions. It is essential to consider operational data related to ESG or sustainability to analyze the risks and returns that should be anticipated, encouraging listed companies in Thailand to recognize the significance of environmental, social, and corporate governance practices and to enhance their work processes. While prior research has explored the relationship between CSR and tax avoidance in developed countries, less is known about this relationship in emerging markets like Thailand, where institutional and regulatory contexts may differ. This research is therefore still an important issue that requires further study in the Thai context.

Literature Review

Stakeholder Theory

Robert (1997) proposed a theory on stakeholders from a corporate perspective, suggesting that in the business process, a company has multiple stakeholder groups that either influence or are influenced by its operations. These stakeholders vary in importance and impact the company in different ways. Since it is challenging to meet the needs of all stakeholders, companies must prioritize the most significant ones first. Corporate disclosure of social and environmental information is regarded as one of the strategies to address stakeholder demands.

Furthermore, Barnard (1968) expanded the stakeholder theory by advocating that management should pay attention to and prioritize both internal and external stakeholders, including those without direct decision-making power, such as employees, business partners, financial statement users, local communities, and governments. This perspective was supported by Freeman & Reed (1983), who argued that all stakeholder groups could be affected by a company’s pursuit of its goals, as organizational policies and practices may impact these individuals. Donaldson & Preston (1995) further examined stakeholder theory through three aspects: descriptive accuracy, instrumental power, and normative validity. Their research confirmed that stakeholder theory is valid in all three dimensions, reinforcing the fundamental principles of this theory.

Additionally, the study by Barnett & Salomon (2012) found that corporate social responsibility (CSR) toward stakeholders beyond shareholders, including environmental responsibility, influences a company’s performance. This responsibility can enhance a company's financial performance and demonstrate its ethical standards, which are critical factors for investors when making investment decisions.

Therefore, based on Stakeholder Theory, it is evident that prioritizing all stakeholder groups involved in business operations is essential. The disclosure of information that affects stakeholders and investors is necessary to ensure that these parties can make informed and effective decisions. Traditionally, disclosures have primarily focused on financial information; however, the scope has now expanded to include corporate social responsibility (CSR) in annual reports, which can also be presented as standalone CSR reports (Freeman, 1984).

The Link Between Sustainability Reporting Disclosure and Tax Planning

The connection between Sustainability Reporting Disclosure and Tax Planning reflects a company’s commitment to socially and environmentally responsible business practices, as well as adherence to international tax regulations. One such regulation is the Country-by-Country Reporting (CbCR) standard, which mandates multinational corporations to disclose tax information for each country in which they operate (Organisation for Economic Co-operation and Development, 2015). Transparent tax disclosure allows stakeholders to evaluate whether a company complies with tax laws and pays a fair share of taxes in the jurisdictions where it conducts business. Furthermore, it bolsters investor and stakeholder confidence in a company’s tax management, especially when international tax reporting standards are observed (Henderson et al., 2015).

A study by Hoi et al. (2013) on corporate social responsibility (CSR) and tax avoidance in the United States found a negative relationship between CSR performance and tax planning. Companies with lower CSR ratings were more likely to engage in aggressive tax planning. Similarly, Sari & Tjen (2017) investigated CSR reporting and environmental management in Indonesia, discovering a negative correlation between CSR disclosure and tax planning. Companies with high levels of environmental and social responsibility reporting were less likely to engage in extensive tax planning. These findings suggest that companies committed to sustainability and transparency tend to adopt more responsible tax practices, reinforcing stakeholder trust and aligning with ethical corporate governance (Preuss & Preuss, 2017). The Relationship Between Sustainability Reporting Disclosure and Tax Planning. A study on publicly listed companies in European stock markets revealed a negative relationship between corporate social responsibility (CSR) scores and corporate tax payments. Companies with higher CSR ratings tended to pay lower corporate income taxes, indicating a greater level of tax planning to offset reduced tax payments (Preuss & Preuss, 2017). Additionally, research conducted in China revealed a positive correlation between CSR disclosure and tax avoidance. However, when political connections were factored into the study, it was found that companies with both strong political ties and high CSR disclosure exhibited a negative relationship with tax avoidance (Chen, 2018a).

These findings indicate that sustainability reporting disclosure can affect corporate tax planning in multiple ways, influenced by the degree of CSR and environmental disclosure, along with political factors that may contribute to these processes. In light of these insights, the researcher aims to further investigate this topic and develop research hypotheses to assess the impact of sustainability reporting disclosure on operational efficiency through tax planning among publicly listed companies on the Stock Exchange of Thailand. The proposed hypotheses for this study are as follows:

H1 : Environmental sustainability reporting disclosure (ENV) has a negative direct influence on tax planning.

H2 : Social sustainability reporting disclosure (SOC) has a positive direct influence on tax planning.

H3 : Corporate governance sustainability reporting disclosure (GOV) has a positive direct influence on tax planning.

H4: Environmental sustainability reporting disclosure (ENV) has a positive direct influence on operational efficiency.

H5 : Social sustainability reporting disclosure (SOC) has a positive direct influence on operational efficiency.

H6 : Corporate governance sustainability reporting disclosure (GOV) has a positive direct influence on operational efficiency.

These hypotheses aim to explore how different aspects of Environmental (ENV), Social (SOC), and Governance (GOV) sustainability reporting impact corporate tax planning and operational performance.

Theories and Concepts on Firm Performance

Firm performance measurement reflects management's ability to operate a business over a specific period. Performance outcomes are critical factors that investors consider when evaluating a company’s efficiency and making investment decisions. The measurement of firm performance can be categorized into financial and non-financial metrics, with various evaluation methods available. One commonly used approach is Market Value Ratios, which assess a company's market potential and investment attractiveness. Investment benefits include interest returns for creditors and dividends for shareholders. However, financial ratio-based performance measurement has limitations, as it relies on financial statements that may be influenced by different accounting policies adopted by firms, complicating cross-company or intra-company comparisons. Another key performance metric is Economic Value Added (EVA), a financial analysis technique used as a Key Performance Indicator (KPI). EVA measures the additional economic value of an organization, reflecting the company's ability to generate returns that exceed its cost of capital (Wattanawilai, 2019).

Based on a review of related theories, concepts, and research studies, this study aims to investigate the impact of tax planning on the firm performance of companies listed on the Stock Exchange of Thailand (SET). The following research hypotheses have been formulated:

H7: Tax planning has a direct negative influence on firm performance.

The researcher is also interested in conducting further studies that build on the findings of Rakhiran et al. (2025) and Neungvanna et al. (2019), which demonstrated that CSR disclosure affects the cost of capital in Thai companies. This study expands the analysis to investigate the impact of ESG disclosure on tax planning and operational efficiency and has established specific research objectives. Consequently, the following research hypotheses have been formulated to assess the influence of sustainability reporting disclosure on firm performance through tax planning among listed companies in the Stock Exchange of Thailand:

H8: The assessment of environmental sustainability reporting (Environment) has an indirect influence on firm performance through tax planning.

H9: The assessment of social sustainability reporting (Social) has an indirect influence on firm performance through tax planning.

H10: The assessment of corporate governance sustainability reporting (Governance) has an indirect influence on firm performance through tax planning.

Based on the review of theories, concepts, and related research, the conceptual framework can be established as shown in Figure 1.

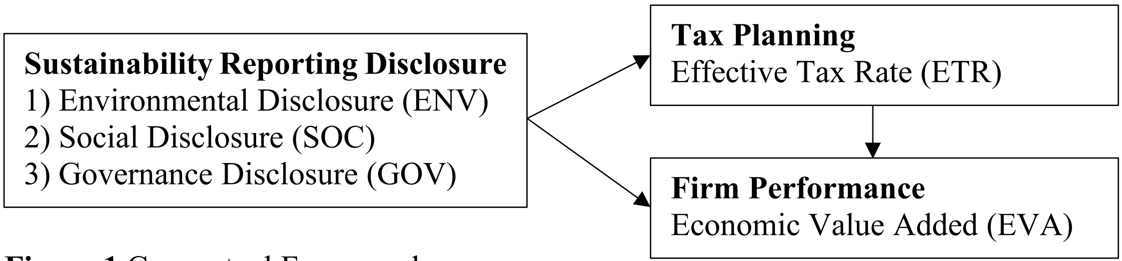

Figure 1 Conceptual Framework

Research Methodology

Population and Sample

This study selects a sample from companies listed on the Stock Exchange of Thailand (SET), with data collected from the SET SMART website and the Bloomberg Terminal database during the period 2021-2023. The sample aligns with both independent and dependent variables, consisting of:

Sustainability Reporting Disclosure: The ESG Score assessment data provided by Bloomberg ESG, which evaluates corporate performance in three key areas: Environmental (ENV), Social (SOC), and Governance (GOV).

Tax Planning: The Effective Tax Rate (ETR), which reflects the company's tax planning strategies. A well-structured tax plan allows firms to adjust their accounting net income to reduce taxable net income, sometimes resulting in an effective tax rate lower than the statutory tax rate set by the government (Chotisuwan, 2018). A lower effective tax rate suggests that the company is efficiently utilizing tax incentives to minimize its taxable income. The ETR is calculated as income tax expense divided by earnings before tax (Chotisuwan, 2018).

$$= \frac{Current\ Income\ Tax\ Expense}{Accounting\ Profit\ Before\ Tax}$$

Economic Value Added (EVA) is a financial analysis technique used as a key performance indicator (KPI) to measure a company's operational efficiency. It represents the additional value created by an organization, or in other words, the economic value exceeding the cost of capital used in its operations (Wattanawilai, 2019).

EVA = NOPAT - Capital Charge

Or EVA = NOPAT - (Invested Capital x WACC)

EBIT refers to Earnings Before Interest and Taxes, or operating profit.
Capital Charge refers to the cost of capital.

WACC refers to the Weighted Average Cost of Capital.

NOPAT refers to Net Operating Profit After Taxes, which represents the net profit from operations after taxes. It is calculated by subtracting the product of the tax rate and EBIT from Earnings Before Interest and Taxes (EBIT).

In this study, the characteristics of variable analysis were collected, and the variable symbols and measurement methods were defined, as shown in Table 1.

Table 1 Describes the variables and their measurement

Symbols.	Variable	Measurement of variables
Dependent variable		
EVA	Operational Efficiency	Economic Value Added (EVA)
Independent variable		
ENV	Disclosure of Environmental Sustainability Reporting Information.	Evaluation results of sustainability report disclosures that have been assessed by Bloomberg, known as Bloomberg's ESG Disclosure Score for the environment.
SOC	Disclosure of reporting information for social sustainability.	Evaluation results of sustainability report disclosures that have been evaluated by Bloomberg, known as Bloomberg's ESG Disclosure Score on social.
GOV	Disclosure of reporting information for sustainability in corporate governance.	Evaluation results of sustainability report disclosures that have been assessed by Bloomberg, known as Bloomberg's ESG Disclosure Score, in corporate governance.
Mediate variables		
ETR	Tax Planning	Effective corporate income tax rate (ETR) method.

Data Analysis

This study utilizes Path Analysis for data examination because Path Analysis was chosen because it allows for the simultaneous examination of direct and indirect relationships between multiple variables, making it well-suited for testing the proposed mediation model. Initially, the researcher eliminated outliers using the Boxplot method. The original sample comprised 441 data points, but after removing 114 outliers, the final sample size for this study was 327 data points. Additionally, the researcher performed a Multicollinearity analysis using the Pearson Correlation Matrix to assess the correlation among independent variables. According to Best (1977), all variables must have a correlation coefficient not exceeding 0.8 to ensure independence. The Tolerance value was also evaluated, where values should range between 0 and 1, with values closer to 1 indicating independence, while values approaching 0 suggest multicollinearity issues. Furthermore, the Variance Inflation Factor (VIF) was employed to identify multicollinearity issues. Multicollinearity is deemed problematic when the VIF value exceeds 10 (Hair et al., 2006).

Research Results

Table 2 Results of Direct Effect Analysis

Hypothesized	Hypothesized Paths			Estimate	SE	Standardized Estimate	z	p-Value	Hypothesis results
H1:	ENV	⟶	ETR	-0.0038	0.0011	-0.2585	-3.5013	<.001**	Accept
H2:	SOC	⟶	ETR	0.0038	0.0016	0.1842	2.4328	0.015*	Accept
H3:	GOV	⟶	ETR	-0.0001	0.0019	-0.0027	-0.0453	0.964	Reject
H4:	ENV	⟶	EVA	0.0002	0.0008	0.0145	0.1946	0.846	Reject
H5:	SOC	⟶	EVA	-0.0001	0.0012	-0.0034	-0.0455	0.964	Reject
H6:	GOV	⟶	EVA	0.0029	0.0015	0.1143	1.9722	0.049*	Accept
H7:	ETR	⟶	EVA	-0.1550	0.0423	-0.2007	-3.6667	<.001**	Accept

Note: *Significance level at 0.05, **Significance level at 0.01

Table 3 Results of Indirect Influence Analysis

Hypothesized	Hypothesized Paths	Estimate	p-Value	Hypothesis results
H8:	ENV ⇒ ETR ⇒ EVA	0.0006	0.011*	Accept
H9:	SOC ⇒ ETR ⇒ EVA	-0.0006	0.043*	Accept
H10:	GOV ⇒ ETR ⇒ EVA	0.0000	0.964	Reject

Note: *Significance level at 0.05, **Significance level at 0.01

Table 4 Analysis of Overall Model Fit Indices

Goodness-of-fit index	Criteria	Measured index	Results assessment
X^2/ df	to 5.00≤5.00	4.41	Through the criteria
GFI	to 0.90≥0.90	1.00	Through the criteria
AGFI	to 0.90≥0.90	1.00	Through the criteria
TLI	to 0.90≥0.90	1.00	Through the criteria
CFI	to 0.90≥0.90	1.00	Through the criteria

The comparison of model fit with empirical data adheres to the model fit criteria. When the analysis results are examined, it is observed that the preliminary agreement of statistical analysis, which accepts the correlation of error variance, enhances the model's consistency with empirical data (Hair et al., 2006), as illustrated in Table 4.

Table 2 displays the results of the direct influence analysis and identifies the statistical significance of the variables as follows:

The disclosure of environmental sustainability reporting (ENV) has a statistically significant negative impact on tax planning (ETR) at the 0.01 level. This finding aligns with previous studies by Chen (2018b) and Lan et al. (2021a), which indicate that companies with higher ESG environmental (ENV) scores tend to engage in less tax planning (ETR). This occurs because governments offer tax incentives to businesses that operate sustainably and in an environmentally friendly manner, such as tax deductions for investments in green technology or tax exemptions for environmental conservation projects. Companies with higher ESG environmental (ENV) scores are more likely to take advantage of these incentives, leading to a decrease in tax planning (ETR).

The disclosure of social sustainability reporting (SOC) has a statistically significant positive direct influence on tax planning (ETR) at the 0.05 level. This finding is consistent with the research of Chen (2018b), which indicates that companies with higher ESG social (SOC) scores tend to engage in more effective tax planning (ETR). Companies that prioritize social issues may foster a positive social image by supporting various initiatives, adhering to sound social practices, and participating in social assistance efforts. This can result in enhanced tax considerations and responsible tax payments.

The disclosure of corporate governance sustainability reporting (GOV) has a statistically significant positive direct influence on operational efficiency (EVA) at the 0.05 level. This finding aligns with the research of Eccles & Krzus (2010), which indicates that companies with robust corporate governance (GOV) disclosure tend to achieve higher operational efficiency. Companies with effective corporate governance practices manage resources efficiently, implement structured planning, and operate systematically, resulting in improved operational efficiency and enhanced company value. Furthermore, investors and lenders are increasingly prioritizing ESG considerations. Strong corporate governance disclosure can facilitate access to funding, potentially leading to lower interest rates or more favorable financing conditions due to heightened credibility.

Tax planning (ETR) has a statistically significant negative direct impact on operational efficiency (EVA) at the 0.01 level. This finding aligns with the research of Sriprapai (2021) and Malaipia et al. (2024), which indicate that tax planning (ETR) is the ratio of income tax expenses to pre-tax profits, reflecting the actual tax burden borne by a company. Effective tax planning reduces the ETR, which subsequently decreases EVA. While tax planning aids in lowering tax burdens, the implementation of complex strategies may incur hidden costs, such as legal and accounting consulting fees or risks associated with tax audits. If these costs surpass the benefits of tax reductions, post-tax profits will decline, resulting in a decrease in EVA.

Additionally, this study examines indirect influences through a path analysis, as illustrated in Table 6, with the following key findings regarding indirect effects.

1) The disclosure of environmental sustainability reporting (ENV) indirectly affects operational efficiency, with tax planning (ETR) serving as a key mechanism linking the two variables at a statistically significant level of 0.05. Companies with higher ESG environmental (ENV) scores often receive tax benefits from the government or face less pressure from stakeholders to engage in aggressive tax planning. These factors lead to variations in corporate tax planning strategies, which may result in either an increase or decrease in tax planning (ETR). Since changes in tax planning (ETR) impact post-tax profits, an essential component of EVA calculation, ESG environmental performance influences EVA through tax planning (ETR) adjustments. This finding aligns with previous studies by Hong & Andersen (2011a).

2) The disclosure of social sustainability reporting (SOC) indirectly affects operational efficiency (EVA) in a negative direction through tax planning (ETR), with statistical significance at the 0.05 level. This suggests that social sustainability disclosure does not

directly impact operational efficiency (EVA) but rather does so via an intermediary variable—tax planning (ETR). Companies with higher ESG social (SOC) scores may establish strong relationships with the government and strictly comply with laws and regulations, including tax laws. Adhering strictly to these regulations may lead companies to adopt more conservative tax planning strategies and be more likely to pay taxes at higher rates, increasing their ETR. As tax planning (ETR) increases, post-tax profits decrease, affecting operational efficiency (EVA). This finding is consistent with related studies by Hong & Andersen (2011b), which suggest that an increase in tax planning (ETR) reduces post-tax profits, ultimately lowering operational efficiency (EVA). Therefore, ESG social performance negatively affects operational efficiency (EVA) through changes in tax planning (ETR).

Conclusion and Discussion

This study examined the direct and indirect effects of sustainability disclosure, specifically environmental, social, and governance (ESG) reporting, on tax planning and operational efficiency of companies listed on the Stock Exchange of Thailand. The results highlight complex relationships that align with and extend existing literature.

Firstly, the finding that environmental sustainability disclosure significantly reduces tax planning aligns with Chen (2018b) and Lan et al. (2021b), who observed that companies with strong environmental performance tend to engage less in tax avoidance, often due to tax incentives provided for environmentally friendly investments. This suggests that environmental reporting encourages transparency and regulatory compliance, which can reduce aggressive tax strategies, supporting the findings of Hong & Andersen (2011b).

In contrast, the positive relationship between social sustainability disclosure and tax planning supports Chen's (2018b) research, indicating that firms emphasizing social responsibility may adopt more strategic tax planning to maintain their reputation and social legitimacy. This confirms that social initiatives may encourage firms to engage in tax planning that balances legal obligations with corporate social responsibility, echoing the conclusions of previous studies on CSR and tax behavior.

The positive impact of corporate governance disclosure on operational efficiency is consistent with Eccles & Krzus (2010), who demonstrated that firms with strong governance structures tend to manage resources more effectively and perform better operationally. This finding also aligns with the growing consensus that good governance facilitates access to capital and enhances organizational performance.

However, the negative direct effect of tax planning on operational efficiency, as corroborated by Sriprapai (2021) and Malaipia et al. (2024), highlights a potential cost of complex tax planning strategies, including increased legal fees and audit risks, which may erode post-tax profits and operational gains. This finding extends the literature by quantifying the trade-off between tax minimization and operational performance.

Indirect effect analyses revealed that environmental disclosure positively influences operational efficiency through reduced tax planning, while social disclosure negatively impacts efficiency through increased tax planning. These contrasting pathways emphasize the distinct roles ESG components play in corporate performance, a nuance supported by Hong & Andersen's (2011a) work on the indirect effects of ESG on firm outcomes.

Overall, this study underscores the importance of a balanced sustainability strategy. While environmental efforts contribute directly and indirectly to improved financial and operational outcomes, social initiatives may require more nuanced management to prevent unintended negative effects on efficiency. Strong governance remains a critical enabler of sustainable performance.

Future research should consider firm-specific moderators such as industry type, firm size, and regulatory environment to better understand how these dynamics vary across contexts, potentially informing more tailored sustainability and tax planning policies.

The findings of this study indicate that the disclosure of environmental (ENV) and social (SOC) information significantly influences tax planning, which subsequently enhances organizational performance. These types of disclosures possess strategic value, as they can be leveraged by companies to shape the development of sustainability disclosure practices in a manner that not only meets regulatory requirements but also fosters improved operational efficiency and competitive advantage in the long term.

While the disclosure of corporate governance (GOV) information does not show a direct impact on tax planning or performance outcomes, it remains crucial due to its mandatory nature under the regulations of the Stock Exchange of Thailand. Organizations are therefore encouraged to persist in adhering to GOV disclosure practices to ensure transparency and uphold stakeholder trust.

This research offers practical value by providing insights that organizations can utilize to refine their sustainability reporting strategies. It also contributes to policy development by suggesting that regulatory bodies may consider placing greater emphasis on the elements of sustainability disclosure, particularly environmental and social factors that have proven economically relevant through their association with tax planning and performance enhancement.

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