CROSS-CULTURAL EVIDENCE ON TAX DISCLOSURES IN CSR REPORTS – A TEXTUAL ANALYSIS APPROACH

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Abstract: This study examines how dimensions of culture influence tax disclosure in corporate social responsibility (CSR) reports. Drawing on Hofstede's framework of cultural dimensions, we employ textual analysis and analyze 4,425 CSR reports from 24 countries, which is the largest sample that has been analyzed in a tax context. Within these CSR reports, we find significant variation across countries and dimensions of culture in 1) whether firms mention taxes, 2) how often tax is mentioned, 3) whether negative sentiments are expressed, and (4) which tax themes are discussed. For instance, tax disclosure frequency ranges from 16 percent to 95 percent. Firms in some countries are more likely to criticize the tax system while firms in other countries are more likely to highlight their taxes paid as a contribution to tax revenue, emphasize their compliance with tax laws, or point out their socially responsible tax practices. Among other results, we find that countries that exhibit high masculinity and high levels of disparity between those in power and those with little or no power are associated with fewer CSR tax disclosures and disclosures that depict a less positive attitude towards taxes. Moreover, strong national governance and lower economic well-being are associated with more frequent and less negative tax disclosures.

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Banking on the Firm Objective

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Abstract

How much do firm objectives matter? In the case of the traditional banking sector in the U.S., cooperative credit unions lent as much as 10 percentage points more relative to commercial banks during the Great Recession. Higher lending was sustained by 15-20 percent lower profitability margins. Comparing institutions that faced identical borrowers within the same local credit markets and the same crisis exposures show that the effect is supply-driven. Loan pricing, informational advantages, tax benefits, and regulatory environments do not explain the results. Rather, member-oriented non-profit firm objectives enabled the $1.3 trillion dollar credit union industry to lend more relative to profit-maximizing banks.

Keywords: Banking; Firm objectives; Household finance; Great Recession

JEL Classifications: D22, G01, G21, L21, L33, P13

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