Insider and Institutional Ownership, CSR Disclosure, and Tax Avoidance: A Comparative Study of Family and Non-Family Firms in Pakistan

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Abstract

This study investigates the comparative impact of insider and institutional ownership on CSR disclosure and tax avoidance, between family (n = 120) and non-family (n = 130) firms listed on the PSX (2018–2023) employing the FGLS regression analysis which show that insider ownership positively influences CSR disclosure, particularly in family firms, while institutional ownership also supports CSR disclosure across both firm types, but more strongly in non-family firms. Conversely, insider ownership negatively correlates with tax avoidance in family firms, suggesting reputational and long-term considerations, while institutional ownership is positively associated with tax avoidance regardless of firm type concluding that ownership composition significantly shapes firms' strategic responses in crises, with family firms showing greater ethical sensitivity. The study concludes that regulators and policymakers should consider designing differentiated governance codes that reflect the structural differences between family and non-family firms so that disclosure requirements could be adjusted based on ownership concentration. Future studies should consider non-financial firms listed on the PSX classifying firms into family and non-family types based on a founder-led vs. second-generation family control.

Keywords: Insider Ownership, Institutional Ownership, Corporate Social Responsibility, Tax Avoidance, Pakistan

JEL Codes: G32, G34, H26, M14

Introduction

The COVID-19 pandemic has led the firms with undue pressure on firms of emerging countries like Pakistan to adopt robust governance practices to not only achieve the desired financial outcomes but also to satisfy the interests of related stakeholders as evident by Haider et al. (2025) and Khan et al. (2024). The cited studies noted that the pandemic's economic and social disruptions have led to challenges specifically in ensuring corporate governance and tax compliance, thereby raising critical questions about how ownership structures influence firm behavior during crisis period as a pivotal factor shaping these managerial decisions and aligning firm strategies with the best interests of stakeholders (Hassan, 2025; Hassan et al., 2022). However, Hassan (2023) and Haider et al. (2025) highlighted that the problem of tax avoidance, particularly in developing countries where tax enforcement mechanisms may be weak or inconsistent due to its implications for revenue loss and economic inequality is a major challenge. At the same time, CSR has gained prominence as firms are expected not only to generate profits but also to contribute positively to society, especially amid global crises (Hassan, 2025). In this regard, Rehman et al. (2024) and Khan et al. (2022) highlighted that in Pakistan, the corporate sector's response to manage these dual pressures demands for ethical conduct and social contributions has been mixed because some firms have intensified CSR activities as a means of legitimizing their operations and building reputational capital, whereas others have engaged in aggressive tax avoidance to preserve liquidity during economic downturns. Insider ownership typically aligns managers' interests with those of shareholders, potentially reducing agency conflicts and encouraging more ethical corporate behavior (Hassan et al., 2022) however, insiders may also exploit their control to pursue private benefits, including tax strategies that favor short-term financial gains (Hassan, 2023). Conversely, institutional investors are frequently perceived as more sophisticated monitors who promote transparency and long-term value creation, potentially curbing tax avoidance and supporting CSR initiatives (Hassan, 2025) as institutional investors' heterogeneity assumption leads them to prioritize financial returns over social objectives, especially during economic crises (Bae et al., 2021). Therefore, it is imperative to understand the interplay between ownership structure and these divergent strategies, given that insider shareholders (such as executives and directors) and institutional investors (such as mutual funds and pension funds) often hold contrasting priorities and levels of influence over corporate policies (Hassan, 2023; Hassan, 2025; Hassan et al., 2022).

While prior research has extensively examined the impact of ownership structure on CSR and tax avoidance, findings remain inconclusive and vary significantly across national and institutional contexts. For instance, Chen et al. (2010) found that institutional investors in China significantly discourage tax aggressiveness, while Tarighi et al. (2022) in Iran observed that institutional ownership had no consistent effect on CSR behavior. In the US, Khan et al. (2016) suggested that well-governed firms are more likely to engage in tax planning, whereas Lanis and Richardson (2012) argued that CSR-oriented firms in Australia tend to avoid aggressive tax strategies. These mixed results reflect the complex interplay between ownership types, firm culture, and regulatory environments. Furthermore, studies examining family ownership often focus on developed economies. Block and Wagner (2014) found that U.S. family firms engage more in CSR for reputational reasons, while in contrast, Ampenberger et al. (2013) noted that German family firms often prioritize financial conservatism over broader social goals. Very few studies have explored these dynamics in emerging economies, particularly in South Asia, where family firms dominate the corporate landscape and where formal governance institutions are still evolving. Crucially, no study to date has critically examined how ownership structures have an impact on CSR and tax avoidance during an exogenous shock like COVID-19 in Pakistan's family and non-family firms as a comparative analysis. This unexplored intersection forms a vital research gap that this study aims to address.

The primary research objectives guiding this study are fourfold: first, to assess how insider ownership influences CSR engagement and tax avoidance in Pakistani listed firms during COVID-19; second, to examine the effect of institutional ownership on these outcomes; and third to provide nuanced insights into how these dynamics inform corporate governance and policy frameworks in emerging markets. Meeting these objectives, the study aims to be significant for policymakers and tax authorities in Pakistan offering them with evidence-based insights into how ownership structures shape tax compliance and CSR practices, thereby informing the design of more effective governance and regulatory mechanisms. Furthermore, the understanding of the role played by family ownership can guide tailored policy interventions that address the unique characteristics of these entities, which often escape standardized governance prescriptions. For investors, particularly institutional shareholders, this research highlights the potential influence they employ in promoting ethical corporate behavior, which is increasingly critical for long-term value creation in volatile markets. From the corporate perspective, the study underscores the importance of transparent ownership and governance mechanisms in balancing profitability with social accountability during crises while the academic researchers benefit from the empirical validation of theoretical propositions linking ownership, CSR, and tax avoidance in an underrepresented emerging market during a global pandemic, opening avenues for further cross-country comparisons and longitudinal analyses.

The remaining manuscript is structured as follows: the second section presents a comprehensive literature review and develops hypotheses based on Stakeholder Theory, Socioemotional Wealth (SEW) Theory, and Stewardship Theory, and emerging insights on family firm governance; the third section outlines the research methodology, including sample selection, data sources, variable operationalization, and analytical techniques; the fourth section reports empirical findings and discusses their theoretical and practical implications; and the final section concludes with a summary of contributions, study limitations, and suggestions for future research avenues.

Literature Review

Studies examining insider ownership and CSR reveal mixed outcomes. Block and Wagner (2014) found that US firms with higher insider or family ownership disclosed more CSR activities, attributing this to reputational concerns. In contrast, Tarighi et al. (2022) reported no consistent relationship between insider ownership and CSR in Iranian firms, suggesting cultural and regulatory variations may diminish insider incentives. In Pakistan, Hassan (2025) noted a strong positive association between insider ownership and CSR disclosure, supported by Craig and Newbert (2020), who emphasized socioemotional motivations among insiders. Ahmad et al. (2020) added that CSR in insider-dominated firms can also be used strategically for stakeholder legitimacy. These contrasting results imply insider ownership may enhance CSR when insider's view the firm as an extension of their identity but may fail to do so where regulatory enforcement or stakeholder pressure is weak.

H1a: Insider ownership has a positive effect on CSR disclosure in family firms.

H1b: Insider ownership has a positive effect on CSR disclosure in non-family firms.

Research into institutional ownership and CSR presents relatively consistent evidence of a positive relationship. Cheng et al. (2022) demonstrated that institutional investors in China drive stronger CSR outcomes due to their preference for risk mitigation and transparency. Buchanan et al. (2018) confirmed similar patterns in the US, where institutional blockholders encouraged CSR to lower the firm's cost of capital. However, Lanis and Richardson (2012) observed that in Australia, CSR-oriented firms engaged less in tax aggressiveness, often under institutional pressure. Yet, Tarighi et al. (2022) found institutional ownership had no significant impact on CSR in Iran, suggesting institutional activism is context-dependent. In Pakistan, Hassan (2025) carried out a study and enforced this insight affirming that while institutional investors generally support CSR, their effectiveness is contingent on their governance goals and the local regulatory climate.

H2a: Institutional ownership has a positive effect on CSR disclosure in family firms.
H2b: Institutional ownership has a positive effect on CSR disclosure in non-family firms.

Khan et al. (2016) found that institutional investors in the US were associated with more tax planning, often pressuring firms to maximize after-tax earnings. Rehman et al. (2024) and Hassan (2023) reported similar trends in Pakistan, noting that institutional shareholders encourage aggressive tax strategies to meet short-term financial expectations. This opinion contrasts with Chen et al. (2010), who found institutional ownership in China led to lower tax aggressiveness, attributing this to institutional investors' long-term investment horizons. This may be because of the general nature of ownership of firms in China where state/ institutional ownership is very common. Eskandar and Ebrahimi (2020) also suggested that the activism level of institutional owners (active vs. passive) determines whether they discourage or tolerate tax avoidance reinforcing that institutional ownership may either curb or encourage tax avoidance depending on their investment style and market context.

H3a: Institutional ownership has a positive effect on tax avoidance in family firms.
H3b: Institutional ownership has a positive effect on tax avoidance in non-family firms.

Insider ownership's influence on tax avoidance has also drawn contrasting conclusions. For example, Yahaya (2025) found a negative relationship between insider ownership and tax avoidance in Nigeria, suggesting insiders prioritize firm reputation and compliance; while Chung et al. (2019) showed insider-owned firms in the US engaged in less tax aggressiveness, linking this to fear of legal exposure and insider trading risks. Hassan (2023), focusing on Pakistan, supported these findings, arguing that higher insider shareholding discourages risky tax strategies however, Chen et al. (2010) argued that family firms in Taiwan showed more tax aggressiveness, indicating insiders may still pursue financial benefits under weak enforcement. These findings point to the reputational trade-off insiders face i.e., engaging in tax avoidance may improve short-term cash flow but risk long-term legitimacy. This expectation is based on the alignment effect of insider ownership, whereby higher managerial shareholding aligns managers' interests with long-term firm value and reputational concerns, discouraging aggressive tax avoidance practices.

H4a: Insider ownership has a negative effect on tax avoidance in family firms.
H4b: Insider ownership has a negative effect on tax avoidance in non-family firms.

2.1 Theoretical Review

This study is grounded in three interrelated theoretical frameworks: stewardship theory, stakeholder theory, and socioemotional wealth (SEW) theory. Stewardship theory assumes that managers are not merely opportunistic agents but stewards whose interests are aligned with those of the organization and its stakeholders therefore, managers are intrinsically motivated to act in the best interest of the firm, driven by pro-organizational values such as loyalty, trust, and a commitment to long-term success (Keay, 2017). This scenario is particularly relevant in firms where ownership and control are concentrated, such as family businesses, where emotional attachment, legacy concerns, and reputational considerations often guide decision-making (Craig & Newbert, 2020). In this regard, Löhde et al. (2021) and Vallejo (2009) claimed that stewardship theory helps explain why insider-dominated firms might voluntarily pursue CSR initiatives or avoid aggressive tax practices, not because of external pressures, but due to internal values and long-term orientations. This implies that in such ownership contexts, empowering insiders and fostering a culture of stewardship can serve as an effective governance strategy, enhancing both ethical conduct and organizational performance in the absence of intensive external monitoring. Stakeholder theory, as explained by Freeman in 1984, adds that a business is responsible to a wide group of stakeholders, including employees, customers, the community and regulators. Showing accountability and gaining stakeholder support is made possible through CSR disclosure. Institutional investors, seen as representatives of stakeholders, tend to encourage companies to be more open and to adopt practices that are accepted by society (Nofsinger et al., 2019). But if there are weak regulations in a market, the same investors may place greater importance on finances which may cause both positive and negative results for tax avoidance and CSR involvement (Cheng et al., 2022; Khan et al., 2016). SEW theory which is important in studying family businesses, states that family firms tend to focus on non-financial matters such as their reputation, legacy and harmony among members (Craig & Newbert, 2020) therefore, these firms may behave ethically such as through CSR disclosure and conservative tax policies. SEW theory shows why family firms often show better stewardship, even when their ownership is similar to that of non-family firms.

Research Methodology

3.1 Data Collection Sources and Time Period

This research utilizes a comprehensive panel dataset comprising 250 non-financial firms listed on the Pakistan Stock Exchange (PSX) for the period spanning from 2018 to 2023 to capture data before, during, and after the COVID-19 pandemic, allowing for an insightful examination of ownership effects on CSR and tax avoidance behavior under these changes. Data pertaining to ownership structure, specifically insider and institutional ownership, as well as CSR expenditures and tax avoidance measures, were collected primarily from publicly available annual reports, sustainability reports, and disclosures on PSX official database and the State Bank of Pakistan's Financial Statement Analysis (FSA) database. The study excludes firms from the financial and utilities sectors due to the significantly different regulatory and reporting frameworks governing these industries, which could have biased results. Furthermore, firms were excluded if they had negative earnings for three or more consecutive years, had missing CSR expense disclosures, or were classified as defaulted or delisted during the study period. This screening ensured data reliability and consistency in ownership and CSR reporting.

3.2. Operationalization of Variables

The key constructs of this study are measured using precise and widely accepted proxies as outlined in Table 1.

Table 1. Operationalization of Key Variables

Variables	Measurement	Source
Insider ownership	Proportion of insider shares held by managerial officers, directors, or owners to total shares	(Hassan et al., 2022)

Institutional Ownership	Proportion of institutional shares to total shares	(Khan et al., 2016)
CSR Disclosure	Natural logarithm of CSR expenses	(Hassan, 2025)
Tax Avoidance	Ratio of income tax expense to taxable income	(Hassan, 2023)
Firm Size	Natural log of total assets	(Hassan et al., 2025)
Leverage	Total debt divided by total assets	(Hassan, 2023; Hassan, 2025)
Profitability	Return on Assets	(Hassan et al., 2022)
Board Size	Natural Log of the number of directors on the board	(Hassan et al., 2022)

To distinguish between family (n = 120) and non-family firms (n = 130), the study employs a clear criterion: firms are classified as family-owned if the founding family or their direct descendants hold at least 20% of the shares, a threshold consistent with Pakistani corporate governance studies (Hassan, 2023; Hassan et al., 2022).

3.3. Analytical Tools and Analysis

The analytical process begins with descriptive statistics and correlation matrices to understand variable distributions and potential multicollinearity issues. Variance Inflation Factor (VIF) tests are then applied to ensure multicollinearity is not problematic, with all VIF values found to be below 3, indicating acceptable levels. The Hausman specification test is employed to determine whether fixed or random effects provide more reliable estimations. Panel data diagnostics include the Wooldridge test for autocorrelation, which tests for serial correlation within firms across time, and the Modified Wald test for groupwise heteroskedasticity to detect variance inconsistencies.

Table 2: Diagnostic Tests for Model Selection and Specification

Diagnostics Test	CSR (Family Firms)	CSR (Non-Family Firms)	TA (Family Firms)	TA (Non-Family Firms)
Wooldridge Test for Autocorrelation	F = 2.87 (p = 0.004)	F = 3.62 (p = 0.009)	F = 2.14 (p = 0.048)	F = 3.87 (p = 0.033)
Modified Wald Test for Heteroskedasticity	χ^2 = 41.83 (p = 0.000)**	χ^2 = 53.27 (p = 0.000)**	χ^2 = 38.26 (p = 0.000)**	χ^2 = 46.17 (p = 0.000)**
Hausman Test (Fixed vs Random Effects)	χ^2 = 12.35 (p = 0.030)*	χ^2 = 14.62 (p = 0.021)*	χ^2 = 10.17 (p = 0.038)*	χ^2 = 16.29 (p = 0.018)*

Source: Author's Compilation

However, the Wooldridge test for autocorrelation indicated significant presence of first-order autocorrelation across all models (p-values < 0.05), suggesting that the residuals were not serially correlated. Furthermore, the Modified Wald test for heteroskedasticity yielded significant results (p < 0.01) in all four models, for both family and non-family firms, indicating the presence of heteroskedasticity in the panel dataset. To address this issue and obtain efficient estimates, the Feasible Generalized Least Squares (FGLS) technique was employed following methodological approach of Hassan et al. (2022).

Results

4.1 Descriptive Statistics

Table 3 provides a detailed comparative summary of key financial and ownership characteristics for family and non-family firms over the period 2018-2023. The average insider ownership in family firms is 48.5%, significantly higher than the 18.3% in non-family firms, reflecting the concentrated control typical in family businesses. Conversely, institutional ownership is considerably higher in non-family firms, averaging 36.7% compared to 20.3% in family firms, indicating that there is less left for the institutional owners to purchase as major concentration is with the family. CSR disclosure levels, measured as the natural logarithm of CSR expenses, are notably higher in family firms (mean = 4.52) than in non-family firms (mean = 3.90). This finding aligns with stakeholder theory, suggesting family firms prioritize CSR activities possibly to maintain family reputation and legacy. Tax avoidance ratios are higher in family firms (mean = 0.18) relative to non-family firms (mean = 0.26), which is consistent with prior literature suggesting family firms tend to be more conservative and risk-averse in their tax planning strategies, preferring safe and legally compliant methods over aggressive tax avoidance.

Table 3: Descriptive statistics

Variable	Family Firms				Non-Family Firms			
	Mean	Max	Min	Std Dev	Mean	Max	Min	Std Dev
Insider Ownership (%)	48.50	88.20	15.40	14.60	18.30	49.10	2.10	11.30
Institutional Ownership (%)	20.30	60.40	5.00	10.20	36.70	75.20	8.70	12.50
CSR Disclosure	4.52	7.80	2.10	1.15	3.90	7.20	1.80	1.25
Tax Avoidance	0.18	0.40	0.05	0.07	0.26	0.50	0.07	0.09
Firm Size	6.70	8.45	5.10	0.85	7.10	8.90	5.20	0.95
Leverage	0.35	0.80	0.10	0.15	0.32	0.75	0.08	0.14
ROA	0.12	0.30	-0.05	0.08	0.14	0.32	-0.03	0.07
Board Size	7.20	12.00	4.00	2.10	8.50	14.00	5.00	2.30

Firm size and board size are larger on average in non-family firms (mean firm size = 7.10, board size = 8.5) compared to family firms (mean firm size = 6.70, board size = 7.2), which may be indicative of different governance and operational scales. Leverage and profitability show slight differences but with overlapping ranges, where family firms exhibit a mean leverage of 0.35 and profitability of 0.12, and non-family firms show a leverage of 0.32 and profitability of 0.14. Standard deviations suggest greater variability in insider ownership and family ownership within family firms, while institutional ownership is more variable in non-family firms.

4.2. Correlation Analysis

Table 4 presents the correlation coefficients among the main variables, separately for family and non-family firms. As expected, insider ownership and institutional ownership show a strong negative correlation in both family firms ($r = -0.62$, $p < 0.01$) and non-family firms ($r = -0.47$, $p < 0.01$), indicating a substitution effect between these ownership types. CSR disclosure is positively correlated with insider ownership in family firms ($r = 0.41$, $p < 0.01$) and to a lesser extent in non-family firms ($r = 0.25$, $p < 0.05$), suggesting that higher insider ownership in family firms is associated with more CSR engagement, consistent with socioemotional wealth theory. Institutional ownership is also positively correlated with CSR, more strongly in non-family firms ($r = 0.35$, $p < 0.01$), reflecting institutional pressure for transparency.

Table 4: Correlation statistics

Variables	Insider ownership	Institutional ownership	CSR disclosure	Tax avoidance	Firm size	Leverag e	RO A	Board size
Family Firms								
Insider Ownership	1							
Institutional Ownership	-0.62**	1						
CSR Disclosure	0.41**	0.28**	1					
Tax Avoidance	-0.23*	0.35**	-0.18*	1				
Firm Size	0.12	0.41**	0.22*	0.31**	1			
Leverage	-0.29*	-0.20*	-0.25*	0.28*	0.16	1		
ROA	0.38**	0.33**	0.30**	-0.40**	0.18*	-0.51**	1	
Board Size	0.05	0.12	0.1	0.07	0.25*	-0.1	0.07	1
Non-Family Firms								
Insider Ownership	1							
Institutional Ownership	-0.47**	1						
CSR Disclosure	0.25*	0.35**	1					
Tax Avoidance	-0.12	0.42**	-0.1	1				
Firm Size	0.21*	0.52**	0.40**	0.30**	1			
Leverage	-0.17*	-0.25*	-0.21*	0.29*	0.22*	1		
ROA	0.35**	0.28*	0.25*	-0.36**	0.20*	-0.47**	1	
Board Size	0.08	0.15	0.09	0.05	0.29*	-0.07	0.12	1

Source: Author’s Compilation

Tax avoidance is negatively related to insider ownership in family firms ($r = -0.23$, $p < 0.05$) but shows a weaker, non-significant relationship in non-family firms, implying family firms with high insider ownership avoid aggressive tax strategies. Conversely, tax avoidance positively correlates with institutional ownership in both samples, possibly due to institutional investors encouraging tax efficiency. Firm size and profitability (ROA) tend to have moderate positive correlations with CSR and institutional ownership across both groups, confirming larger and more profitable firms are more active in CSR and have greater institutional investor interest. Leverage negatively correlates with ROA and insider ownership, which may indicate financial risk affecting ownership concentration. Overall, the correlation patterns highlight distinct governance dynamics and strategic behaviors between family and non-family firms, justifying the studys comparative focus.

4.3. Regression estimates (DV = CSR)

The comparative regression analysis presented in Table 5 examines the influence of insider ownership, institutional ownership, and key control variables on CSR disclosure in family and non-family firms. Results reveal that insider ownership significantly and positively affects CSR disclosure in both family firms ($\beta = 0.321$, $p < 0.01$) and non-family firms ($\beta = 0.145$, $p < 0.05$). The stronger effect in family firms suggests that family insiders may have a greater inclination toward socially responsible behavior, consistent with stewardship theory emphasizing family reputation and long-term value creation (Hassan, 2025; Hassan et al., 2022). Institutional ownership also demonstrates a positive and significant association with CSR disclosure in family ($\beta = 0.198$, $p < 0.05$) and non-family firms ($\beta = 0.254$, $p < 0.01$), highlighting institutional investors' role in monitoring and encouraging CSR engagement (Cheng et al., 2022). These results support hypotheses H1 and H2, confirming that both insider and institutional ownership positively influence CSR disclosure.

Table 5: Comparative FGLS Regression Estimates (Dependent Variable = CSR Disclosure)

Variables	Family Firms	VIF	Non-Family Firms	VIF
	Coefficient (SE)		Coefficient (SE)	
Insider Ownership (%)	0.321** (0.110)	1.35	0.145* (0.068)	1.27
Institutional Ownership (%)	0.198* (0.092)	1.42	0.254** (0.074)	1.39
Firm Size	0.115* (0.055)	2.01	0.130** (0.043)	1.95
Leverage	-0.01459	1.75	-0.00854	1.68
Profitability (ROA)	0.290** (0.091)	1.6	0.211** (0.075)	1.58
Board Size	0.075 (0.053)	1.22	0.063 (0.047)	1.19
Constant	2.345** (0.678)		1.987** (0.534)	
Observations	150		180	
R-squared	0.472		0.453	
Statistic (Prob > chi2)	12.68**		11.35**	

Notes: $p < 0.05$ (*), $p < 0.01$ (**); significance is tested against $p < 0.01$

Among control variables, firm size and profitability positively correlate with CSR, aligning with existing literature that larger and more profitable firms tend to disclose more CSR activities due to resource availability and stakeholder pressure (Nawaiseh et al., 2015). Leverage exhibits a negative relationship with CSR disclosure, which may indicate that financially constrained firms reduce CSR expenditures to conserve resources (Mishra & Modi, 2013). Board size does not show significant influence, suggesting board structure may have a limited direct impact on CSR in the Pakistani context. From a model diagnostics perspective, the R-squared values indicate that approximately 45% to 47% of the variance in CSR disclosure is explained by the models in family and non-family samples, which is reasonably strong for panel data studies. The F-statistics (12.68 for family firms and 11.35 for non-family firms, both $p < 0.01$ confirm the overall model significance, meaning the included independent variables collectively have explanatory power for CSR disclosure. Variance Inflation Factor (VIF) scores below 5 across all variables demonstrate that multicollinearity is not a concern, ensuring reliable coefficient estimates.

Discussion

In Table 5, insider ownership is positively and significantly associated with CSR disclosure in both family firms ($\beta = 0.321$, $p < 0.01$) and non-family firms ($\beta = 0.145$, $p < 0.05$), though the effect is more pronounced in family-owned businesses. This suggests that when insiders, often comprising top management or family members, hold a significant portion of shares, they tend to engage more actively in disclosing CSR-related activities which aligns strongly with Stewardship Theory, which posits that managers (or owners) are stewards of the company who are intrinsically motivated to act in the best interests of the firm and its stakeholders (Keay, 2017). In family firms, this stewardship is likely intensified due to their long-term orientation and emotional attachment to the business, consistent with the Socioemotional Wealth (SEW) Theory. SEW theory argues that family owners prioritize non-financial goals such as reputation, legacy, and social status (Craig & Newbert, 2020) therefore, higher CSR disclosure may reflect a strategic effort to preserve their socioemotional wealth by fostering a positive public image and building stronger stakeholder relationships. Within Pakistan, where family firms dominate the business landscape and social reputation holds considerable weight in the local business ecosystem (Hassan, 2025), this result implies that enhancing insider participation in ownership could foster more socially responsible corporate behaviors indicating a promising path for regulatory bodies and policymakers to leverage family businesses' inherent motivations for greater CSR engagement as postulated in existing studies like Ahmad et al. (2020), Hassan (2025) and Oh et al. (2023) which supports this relationship. In contrast, institutional ownership also shows a significant positive effect on CSR disclosure for both family firms ($\beta = 0.198$, $p < 0.05$) and non-family firms ($\beta = 0.254$, $p < 0.01$). The stronger coefficient in non-family firms suggests that institutional investors may exert more pressure or influence in demanding transparency and socially responsible practices in firms where ownership is more dispersed consistent with previous literature, suggesting that institutional investors play a crucial role in promoting transparency and social accountability. For instance, Nofsinger et al. (2019) found that firms with greater institutional ownership in exhibited higher levels of CSR disclosure, as institutional investors pressured firms to maintain reputational legitimacy. Similarly, Buchanan et al. (2018) demonstrated that institutional ownership positively influenced CSR transparency, helping to reduce firms' cost of capital by mitigating information asymmetry, emphasizing that institutional investors demand higher levels of accountability and ethical behavior. Collectively, these findings support the argument that institutional investors serve as external monitors who drive firms toward greater CSR engagement and disclosure supporting Stakeholder Theory proposition that institutional investors are seen as sophisticated stakeholders who often advocate for better ESG (Environmental, Social, and Governance) performance as their presence can act as a form of external governance, particularly vital in Pakistan, where corporate disclosure standards are still evolving. In family firms, the slightly weaker but still significant impact implies that institutional investors can complement family influence to strengthen CSR performance, indicating a potential synergy between external and internal governance mechanisms (Hassan, 2025).

4.4. Regression estimates (DV = TA)

Table 6 presents the comparative FGLS regression estimates for tax avoidance behavior among family and non-family firms. The results indicate that insider ownership has a significant negative effect on tax avoidance in family firms ($\beta = -0.289$, $p < 0.01$), suggesting that family insiders are less likely to engage in aggressive tax avoidance, possibly due to reputational concerns and a focus on long-term sustainability (Chung et al., 2019); however, insider ownership does not show a significant impact on tax avoidance in non-family firms, which could be attributed to the different governance motivations and agency conflicts in these firms. Institutional ownership, in contrast, has a positive and significant association with tax avoidance in both family (β = 0.165, $p < 0.05$) and non-family firms (β = 0.213, $p < 0.01$) implying that institutional investors may pressure firms to optimize tax strategies to improve financial performance, consistent with prior studies linking institutional ownership to tax minimization strategies (Khan et al., 2016).

Table 6: Comparative FGLS Regression Estimates (Dependent Variable = Tax Avoidance)

Variables	Family Firms	VIF	Non-Family Firms	VIF
	Coefficient (SE)		Coefficient (SE)	
Insider Ownership (%)	-0.289** (0.098)	1.32	-0.072 (0.084)	1.28
Institutional Ownership (%)	0.165* (0.077)	1.45	0.213** (0.069)	1.41
Firm Size	0.045 (0.051)	2.05	0.053 (0.048)	1.98
Leverage	0.201** (0.072)	1.7	0.183** (0.065)	1.69
Profitability (ROA)	0.062 (0.083)	1.59	0.054 (0.076)	1.61
Board Size	-0.038 (0.046)	1.23	-0.045 (0.044)	1.2
Constant	1.452* (0.623)		1.324* (0.583)	
Observations	150		180	
R-squared	0.412		0.438	
Statistic (Prob > chi2)	10.74**		11.09**	

Notes: $p < 0.05$ (*), $p < 0.01$ (**); significance is tested against $p < 0.01$

Among control variables, leverage exhibits a positive and significant effect on tax avoidance in both samples, indicating that highly leveraged firms may engage more in tax avoidance to ease financial constraints. Firm size and profitability do not show consistent significant impacts on tax avoidance, while board size remains insignificant in both groups, highlighting that governance structure may have limited direct influence on tax behavior in this context. Model diagnostics confirm that the regression models are statistically significant with F-statistics of 10.74 (family firms) and 11.09 (non-family firms), both at $p < 0.01$. R-squared values of approximately 41% for family firms and 44% for non-family firms demonstrate an acceptable level of explanatory power. Variance Inflation Factor (VIF) scores are all below 5, indicating no serious multicollinearity issues. Overall, the findings support hypothesis H3 and H4 that insider ownership negatively influences tax avoidance, particularly in family firms, while institutional ownership tends to increase tax avoidance regardless of ownership type.

Turning to Table 6, the findings for tax avoidance depict a different picture as insider ownership is negatively and significantly associated with tax avoidance in family firms (β = -0.289, $p < 0.01$), but not significant in non-family firms which indicates that in family-controlled firms, higher insider ownership correlates with lower tendencies to engage in aggressive tax strategies. Here, SEW Theory offers a compelling explanation: family owners may avoid tax avoidance practices to protect their firm's reputation and avoid regulatory scrutiny that could endanger the long-term survival of the business. This finding also supports Stewardship Theory, which suggests that family insiders act more responsibly due to their deeper emotional and financial commitment to the firm's continuity and social legitimacy (Löhde et al., 2021). Within the Pakistani context, where informal relationships and reputational concerns significantly shape firm behavior, this aversion to tax avoidance among family insiders underscores their prioritization of legitimacy and socioemotional goals over short-term financial gains. Interestingly, insider ownership in non-family firms is not significantly associated with tax avoidance, suggesting that without the emotional or long-term attachment seen in family businesses, insider influence may not be sufficient to discourage opportunistic behaviors like tax avoidance which reflects a potential limitation of Stewardship Theory when applied to non-family contexts, where self-interest may outweigh long-term stewardship motives (Vallejo, 2009) as well as the finding that insider ownership is negatively and significantly associated with tax avoidance aligns with prior research suggesting that when insiders hold a larger share of the company, they are less likely to engage in aggressive tax avoidance strategies for example, Eskandar and Ebrahimi (2020) found that firms with higher insider ownership showed lower levels of tax avoidance, as insiders prefer transparent and prudent financial management to avoid potential legal and reputational risks. Similarly, Yahaya (2025) argue that managerial ownership aligns managers' interests with those of shareholders, discouraging risky behaviors like aggressive tax planning supporting the conclusion that increased insider ownership can serve as a governance mechanism to restrain excessive tax avoidance emphasizing that insiders, such as executives and board members, have a vested interest in the long-term sustainability and reputation of the firm, which can be jeopardized by risky tax practices. On the other hand, institutional ownership is positively and significantly associated with tax avoidance in both family ($\beta = 0.165$, $p < 0.05$) and non-family firms ($\beta = 0.213$, $p < 0.01$) which is a somewhat counterintuitive finding, as institutional investors are often seen as governance enforcers implying that in developing economies like Pakistan, institutional investors may prioritize short-term financial returns and support strategies, such as tax avoidance, that enhance firm profitability in the short run. This contrasts with the expectations of Stakeholder Theory and suggests that institutional investors may sometimes act as financial stakeholders rather than true agents of social accountability (Hassan, 2025) thus can be inferred that in the Pakistani context, where regulatory frameworks are still maturing and enforcement is often weak, institutional investors may be more inclined to tolerate or even encourage aggressive tax strategies to maximize earnings.

5. Conclusion

This study explored the influence of ownership structures specifically insider and institutional ownership on CSR disclosure and tax avoidance behaviors in both family (n = 120) and non-family firms (n = 130) in Pakistan listed on the PSX from 2018 to 2023, collecting data from publicly available annual reports, sustainability reports, and disclosures on PSX official database and the State Bank of Pakistan's Financial Statement Analysis (FSA) database. The study employs a clear criterion: firms are classified as family-owned if the founding family or their direct descendants hold at least 20% of the shares, a threshold consistent with Pakistani corporate governance studies. The findings as per FGLS regression analysis suggest that insider ownership positively contributes to CSR disclosure across both family and non-family firms, though the effect is notably strong in family-owned businesses in line with stewardship and socioemotional wealth theories, which highlight the reputational and legacy-driven motivations in family firms. Non-family firms, while still exhibiting a positive relationship, show a comparatively moderate influence, possibly due to less emotional attachment and more diversified governance structures. In terms of tax avoidance, insider ownership is significantly and negatively associated with tax aggressiveness only in family firms, indicating that family insiders are more risk-averse and concerned with preserving their firm's reputation however, this relationship is statistically insignificant in non-family firms, reflecting potential agency conflicts or a stronger focus on short-term financial objectives. Institutional ownership. On the other hand, is found to positively influence both CSR disclosure and tax avoidance in both firm types, albeit with a more pronounced impact on tax strategies which suggests a complex governance influence that encourages transparency in social engagement but also promotes financial optimization through tax planning.

5.1. Practical and Theoretical Implications

For corporate managers, especially those in family firms, the findings emphasize the strategic value of leveraging insider ownership to promote long-term sustainability through CSR engagement as the stronger relationship between insider ownership and CSR in family firms demonstrates that ownership concentration can be an asset when aligned with stewardship and legacy-building goals. In non-family firms, the moderate but significant role of insider ownership suggests the need for mechanisms that align managerial interests with broader stakeholder concern therefore encouraging managerial ownership or performance-based equity incentives could be useful tools for promoting socially responsible behavior in these firms. Additionally, institutional investors in both firm types are shown to play a double-edged role. While they enhance CSR disclosures, they also appear to encourage tax minimization strategies. This highlights the need for institutional investors to adopt a more holistic view of governance balancing financial performance with ethical responsibility.

From a theoretical perspective, the study supports and extends existing frameworks such as stakeholder theory, stewardship theory, and socioemotional wealth theory by validating their relevance in emerging market contexts. It affirms that family ownership brings unique motivations that go beyond profit maximization, particularly in contexts where familial legacy and reputation are critical. The findings also highlight the contingent role of institutional investors, indicating that their impact is not universally positive or negative but contextually dependent on firm type and ownership configuration. Moreover, the interplay of ownership forms demonstrates that corporate governance is not a one-size-fits-all construct. Theoretical models need to account for the interaction effects and dynamic nature of ownership patterns, particularly in countries like Pakistan where hybrid governance structures are prevalent. Thus, this study contributes to an enriched theoretical understanding of how ownership types affect firms differently depending on their internal and external orientations.

5.2. Limitations and Future Research Directions

First, the analysis is restricted to non-financial firms listed on the PSX, which may limit the generalizability of the results to other sectors or to unlisted and smaller firms. Financial firms were excluded due to their unique regulatory environments, but future research could investigate whether similar ownership dynamics exist within highly regulated sectors. Second, the study relies on secondary data from annual reports and public databases, which may be subject to limitations in reporting accuracy or completeness especially in CSR disclosures. Qualitative insights through interviews or surveys with managers and investors could enrich the understanding of behavioral motivations behind ownership-related decisions. Additionally, while the study uses robust statistical techniques, causality cannot be firmly established. Future research could employ longitudinal or experimental designs to better capture causal relationships between ownership structure and firm behavior over time. Another limitation is the binary classification of firms into family and non-family types based on a 20% ownership threshold. While this approach aligns with prior literature, it may overlook nuances in governance dynamics within hybrid or transitioning firms. Future studies could incorporate more granular classifications, such as founder-led vs. second-generation family control, or consider board interlocks and family involvement in management roles. Finally, comparative cross-country studies while comparing the tax rate differences in different sectors could offer a broader perspective on how institutional and cultural contexts mediate the relationship between ownership structure, CSR, and tax avoidance. Exploring emerging markets with similar economic characteristics may uncover patterns and governance insights applicable beyond the Pakistani context, thereby enhancing theoretical development and policy formulation.

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