Abstract:

In Bangladesh's textile sector, tax evasion is a major problem, with businesses using a range of tactics to reduce their tax obligations. The purpose of this study is to look into tax evasion tactics used by Bangladeshi textile industries and to see if social media might help solve this issue. This study looks at the tactics used by textile companies to evade taxes, such as profit shifting, transfer pricing, and offshore tax havens, through a thorough examination of the literature and empirical evidence. The results indicate that tax evasion is a multifaceted matter that is impacted by various elements such as legal frameworks, corporate governance arrangements, and cultural standards. In order to take advantage of tax system weaknesses and reduce their tax liabilities, textile companies in Bangladesh frequently employ aggressive tax planning techniques. In addition to undermining government revenue, these actions also exacerbate social injustice and wealth inequality. The study also investigates how social networking sites like Facebook, LinkedIn, and Twitter might help reduce tax avoidance by encouraging accountability, transparency, and corporate responsibility. The results imply that social media can be an effective instrument for increasing awareness, revealing unethical behavior, and making businesses responsible for their tax duties. The efficient use of social media for tax transparency is hampered by issues like false information, privacy concerns, and regulatory loopholes. By illuminating the mechanics of tax avoidance in Bangladesh’s textile industry and suggesting tactics for utilizing social media to combat this problem.

Keywords: Tax, Textile Company, Social Media, Challenges, Bangladesh.
its people with all these benefits and that's why it needs to collect funds, which is one of the main sources of funds for the government.

Bangladesh is a developing country in the world. It’s one of the main sources of income is tax revenue collected from different sectors. Total revenue gained from two sources is 9.68% as percentage of GDP. Between these two, tax revenue is 8.67% and non-tax revenue is 1.08% as percentage of GDP in 2022-2023 fiscal year (Hill, Jinjarak, & Park, 2022). We can understand by these data how much Bangladesh is dependent on this source for bearing its expenditure. Thus, the topic of tax avoidance practice is very important in the perspective of our country.

Companies are bound to pay tax every financial year at a pre-determined rate. They must bear a large amount of profit as tax expense. So, they tend to avoid taxes (Martens-Weiner, 2006). And managers try to handle this issue in such a way so that the company have to pay at a lower tax rate than the statutory tax rate within legal boundary. As conducting my study with textile industry, I would like to mention, textile industry is one of the biggest manufacturing industries in Bangladesh and contributes a significant portion of export to the GDP. For this purpose, they are getting a reduced tax rate. Despite getting the reduced tax rate, if they get involved in tax avoidance, the government of our country will lose a huge amount of tax revenue. So, tax avoidance practice in such a big industry can create a big problem and may hinder the revenue generating capacity of the Govt. So, hope this study will help the policy makers to take a strategy which will help to gain more tax revenue based on the findings.

The study has been conducted to find out the relationship between Effective tax rate (ETR) and the factors affecting ETR in textile industry of Bangladesh where Effective tax rate lower than statutory tax rate is a proxy measure of tax avoidance (Kraft, 2014). As Bangladesh is a developing country, we can guess the effect of tax avoidance on its revenue. This study doesn’t put emphasis on the loop wholes of the tax laws rather on the Effective tax rate the textile industry actually pay and to investigate whether the ETR indicates a tax avoidance practice in the textile industry or not. Bangladesh being a developing country depends mostly on its tax revenue for executing all its development programs. So tax revenue is very important for our country. But companies sometimes take such tax management policy that reduces the amount of tax payable to the government. It reduces the revenue collected from tax sources and hinders the development of the country. Though it is said that tax avoidance is done within legal boundaries, it is not an ethical practice and leads to avoiding the responsibilities to the stakeholders like government and indirectly to the development of the life of general people. So, tax avoidance practice in the corporate sector is not an expected practice, a noxious one. And Bangladesh faces a 5.1% budget deficit in financial year 2023 (Khan, & Eva, 2023). So, it is important for the government to increase the tax collection to reduce this deficit and ensure less dependence on foreign loans. That’s why this research will help the policy makers to understand the real tax collection from textile industry and will help to take further initiatives if it is needed.

Social media can have a variety of effects on Bangladeshi textile companies' efforts to refrain from engaging in tax evasion. Social media platforms offer a conduit for stakeholders to get and distribute information regarding corporations' tax policies, such as investors, customers, and civil society organizations. Through the dissemination of information about tax avoidance, including news articles, reports, and data, social media users can promote transparency and draw attention to unethical practices inside textile companies. Because social media is so widely used, people can examine how businesses avoid paying taxes and hold them responsible for their activities. Social media users can exert pressure on textile firms to declare their tax contributions, implement equitable tax systems, and uphold ethical standards by organizing online campaigns, starting petitions, and publicly embarrassing them. Bangladeshi textile firms are becoming more conscious of the damage to their brand that comes from tax
evasion and unethical actions. Social media platforms function as a feedback system, enabling businesses to successfully manage their reputation, monitor public mood, and respond to criticism. Textile companies may protect their reputation and keep customers by interacting with stakeholders, responding to issues, and acting transparently. Social media platforms serve as a means of fostering collaboration and knowledge exchange among many players in the textile sector, such as advocacy groups, trade associations, and enterprises. Stakeholders can address structural concerns and bring about good change by cooperating on projects to improve tax transparency and corporate responsibility, exchanging best practices, and pooling resources. In conclusion, social media has the power to significantly impact tax evasion behaviors in Bangladeshi textile enterprises by promoting accountability, raising public awareness, influencing public opinion, and accelerating regulatory changes. But in order to fully utilize social media as a tool for good change and sustainable development, stakeholders - including businesses, investors, consumers, and legislators must take an active role in the process.

Literature Review

Tax avoidance practice is defined as a practice that lowers the firms’ taxes in relation to its pre-tax income, Dyreng et al (2008). In some previous studies, researchers have upheld the characteristics, advantages, and disadvantages of tax avoidance. Though it is said to be a legal practice, Hansen et al. (1992) have mentioned tax avoidance as an unsound practice and legal loop wholes are used for paying less taxes and it is an unethical behavior. Another study conducted by Payne & Raiborn (2015) indicated tax avoidance as a rationale planning for business, where disclosures have also been provided. According to Cobham & Jonsky (2018), tax avoidance causes a great loss to the government of a lower income country. Hanlon & Heitzman (2020) have also argued for the same. This topic of tax avoidance has gained importance in recent years. Though much research has been conducted recently in economically developed countries on this issue, developing countries are lagging in this matter.

Many studies have been conducted on this topic both in the country and abroad. In some study the researchers have shown the relationship between ownership structure and tax avoidance in some industries whereas others have considered the corporate governance mechanisms and tax management and some other factors.

A study had been conducted on banking sector in Indonesia named’ The effect of Corporate Governance on Tax Avoidance: The Role of Profitability as a Mediating Variable’ in 2021 (Dakhli, 2022). The researchers found that Institutional ownership and independent board of commissioners did not affect profitability and profitability also didn’t effect tax avoidance. Further findings showed that Institutional ownership and audit committee positively affect tax avoidance and they concluded that profitability can’t mediate the effect of institutional ownership, independent board of commissioner and audit committee on tax avoidance.

Another study was conducted in Jakarta on companies listed in Jakarta Islamic Index. Kalbuana et al. (2020) found that capital intensity has a positive impact on tax avoidance, leverage negatively affects tax avoidance and company size has no impact on tax avoidance.

In Bangladesh, some research has been conducted in this issue. In 2021 a study has been performed by Islam & Hasim (2021) focusing on the impact of profitability on tax avoidance on Pharmaceutical and Chemical Industry listed in DSE. They found profitability has a positive impact on tax avoidance, but this finding is not statistically significant.

Hassan et al. (2022) found that board ownership and public ownership have significant impact on tax avoidance whereas foreign ownership and institutional ownership has no significant relationship with tax avoidance. This study was conducted on 77 listed companies from several industries of DSE.
Another study had also conducted in this issue on Banking sector, evidence from listed Banks in DSE. Rahman et al (2022) addressed the relationship between corporate governance and tax management and found (Audit Committee Volume) VAC, (Audit Committee Meeting) MAC, (Board Independence Proportion) IBP, (Board Sizes) BS are negatively significantly associated with tax management whereas (Board Meeting) BM and (Non-executive directors Proportion on Board) NBP were not significantly related to tax avoidance which consequently indicated that corporate governance proxies to lessen the ETR gap and improves the condition.

Shabbir et al. (2022) Conducted research on 295 non-financial institutions in Pakistan to find out the relationship between effective tax rate and the factors affecting the effective tax rate. They found a significant negative relationship between effective tax rate and independent directors on board. On the other hand, they found an insignificant relationship between effective tax rate and compensation, big 4 affiliation, board expertise, political connections (Mehnaz, Rahman, & Kabir, 2022). Moreover, they found a positive association between liquidity and firm age with effective tax rate whereas a negative association between leverage and effective tax rate.

Dwenger & Steiner (2009) found a positive and statistically significant relationship between effective tax rate and leverage, and they found debt ratio is less responsive in small organization and in such organization which got tax benefit like depreciation allowance, tax loss carry-forward.

Dyreng et al (2010) conducted research to find out whether the executives have any impact on tax avoidance practice. The results of the analysis showed that the executives have a significant positive impact on determining the level of tax avoidance and the economic magnitude of the executives on tax avoidance is large.

Islam & Hashim (2009) conducted conceptual research regarding firm value and tax avoidance practice considering the listed public limited companies in DSE. They included the agency theory and stakeholder theory to clarify the controversial issues. Like, they discussed agency theory and concluded in presence of agency conflict, managers take decisions to avoid taxes for achieving their own benefit. On the other hand, the tax avoidance practice leads a firm to avoid social responsibilities which ultimately reduces the firm’s value.

In Greece, Chytis et al (2019) conducted research using a sample of 56 listed companies of Athens Stock Exchange. They considered company ownership, firm performance, leverage, company size etc. as independent variables. They found statistically significant positive relationship between cash effective tax rate and company size, whereas a negative association between cash effective tax rate return on capital and no such significant relationship with corporate governance factors.

Tax Structure of Bangladesh

In every country of the world, the collected tax is a significant source of revenue of the government. Our country is not exceptional to this practice. In Bangladesh, tax is basically two types: direct tax and indirect tax. Direct tax is collected directly from the assesses and indirect tax is collected from the taxpayers indirectly.

Figure 1. Sources of Revenue

The direct source of taxes is income tax from individuals, Corporation, and partnership firm etc. The indirect sources of tax are Value Added Tax (VAT), Customs duty, Supplementary duty Excise duty etc. The government of our country
collects 30% of its tax revenue from direct sources and 69.17% from indirect sources in 2022-23 FY [14]. The tax revenue collected from different sources is shown in figure 1.

Tax Laws of Bangladesh

Before 1971, local Bengali established some textile and jute factories in East Pakistan and after the Liberation War they lost the ownership, expertise, and capital to access in the factories. Then after 1971, the government of Bangladesh took decision of export-oriented industrialization focusing on textile industry, especially on garment sector (Li, 2021). Then the newly formed government introduced Bangladesh Industrial Enterprise order and took all privately formed textile industries and established Bangladesh Textile Mills Corporation (BTMC). But the continued loss of the industry leads the government to privatize the industry again and return the firms to their original users. In 1982, New Industrial Policy was introduced, and Export processing zone was established in Bangladesh. Bangladesh’s textile sector developed tremendously nearly 2004 because that time Bangladesh enjoyed quota free export facilities in European countries. And consequently, the export rose to 3.5 million to 10.7 billion from 1981 to 2007. In Bangladesh, Income tax ordinance was introduced in 1984 according to the order number of xxxiv of 1984. But this ordinance is replaced by Income Tax Act 2023 in 2023 which will come into effect in next month (Liu, Chen, & Li, 2023). The National Board of Revenue (NBR) is the responsible authority to collect taxes from the taxpayers. It is operated under the Ministry of finance and has the authority on tax policies and tax laws. It has 3 wings called Income Tax wing, VAT wing and customs wing. It also has two other wings called IT wing Research and Statistics wing. The NBR has the authority to punish any company or any individuals for tax evasion practices and also ensures the implementation of tax laws. Income Tax Act, Finance Act -2015 and Vat and Supplementary Duty act 2012 are there for related issue for enhancing tax collection. Moreover, administrative act, SROs and general orders are there for handling and managing the tax collection (Tsukhlo, et al., 2019).

At present, there are about 4500 firms operating the task of textile industry. Among these companies, 40% produces apparels for winter and 60% for women and others. And there are 58 listed textile companies in the DSE (Dhaka Stock Exchange) in Bangladesh. Bangladesh Garments Manufacturers and Exporters Association (BGMEA) is a trade association that work for the development of the apparel industry. Ministry of Textile and Jute is responsible for the advancement of the textile industry. Different types of initiatives are taken by this ministry for giving opportunities to the owners of the textile companies. And also to promote export, reduced tax rate is also introduced with the help of this ministry (Brenton, 2003). The textile industry is now the highest contributor to the export. Ready-made garment is the main exportable products to European Countries, America and United Arab Emirates etc. Once our country was only dependent on agriculture but that day has been ended up, industry sector grew tremendously from last few decades.

Contribution of the Textile Industry in the Economy of Bangladesh

Recently, the statistics published by Eurostat showed that Bangladesh has gained the highest position in the export of apparels in the EU market where China lags behind Bangladesh. Bangladesh exports 133 kg of apparels though the value of the product was 5 dollar 82 sent less per kg than China. In that amount, Bangladesh exports $2289 crore and China exports $3015 crore. Bangladesh held the second highest position of readymade garments exporters just after China previously. European Union import 61% of our total export whereas America imports 30% and remaining 10% by other countries (Weisz, et al., 2006). According to Export Promotion Bureau, the total export from garments industry have risen by 10.27% and at amount 46.99 billion from July 2022 to June 2023. The most important thing is that 84% is
the contribution of textile and garments industry of total export in FY 2023. Export of woven rose 8.16 % and it is 25.73 billion and knitwear by 7.61 % in 2022-2013 financial year which is 21.25 billion in amount. The total contribution of this sector to GDP was 9.3% and by amount 45 billion in the last fiscal year. But there is a matter of worry that the growth of home textile have been reduced by 32.47% and it is 1.09 billion that means the demand for home textile have been reduced in FY 2023 (Firmansyah, & Muliana, 2018). The demand for world’s apparel need have been reduced to some extent as the world is facing now a global economic crisis. 

Textile industry earns almost 84% of total export and hold the highest position exporting 46990 million in 2023 FY whereas leather goods hold the second position by exporting 1220 million and jute and jute goods hold the lowest position by exporting 12.25 million. The whole picture of the export is shown in figure 2.

Figure 2. Export Status of Different Goods

Cause and Effect of Tax Avoidance

Tax avoidance is basically a practice related to tax management. It is a tendency to reduce the tax payable within legal boundary. This is a common practice in corporate regime. Tax avoidance is practiced by individuals or organizations to pay a lower amount of tax as they think the tax payment as a burden for them (Adesibi, & Gbegi, 2013). This tax avoidance practice is also known as tax shelter. Different ways are used by tax lawyers to manage the tax policy without breaking the rules of tax laws. Though the practice is within a legal boundary, this is an unethical and unsound practice in the organizations. The companies operate their businesses within the country, use the resources of the country and sell products to the people of the country and gain a huge amount of profit. So, the firms can’t ignore the responsibility of different parties to society. So, avoiding the tax practice is one kind of ignoring these responsibilities though they are showing the pursuance of tax laws. The management of the firm basically avoids taxes by using unnecessary tax credits, deductions, under reporting of some irregular income, tax laws loopholes, income exclusion and financing from tax deductible sources (Alstadsæter, Kopczuk, & Telle, 2019). All these things reduce the amount of tax payable.

There are simultaneous causes of tax avoidance practice in organizations. Some of the causes are mentioned below:

- The current tax structure of a country have a significant impact on tax avoidance practice. If there are lots of provisions in tax laws with too many loopholes, it is easier for the assessee to avoid tax by using those loopholes.
- If the tax rate of a country is higher, then there is a tendency of the firm and individual to adopt such a tax management policy which reduces taxes.
- Lack of integrity and tax commitment and a mind-set of exploiting tax provision of tax laws.
- If the tax base is reduced significantly for any unwanted event in any year, the assessee have a tendency to avoid tax in that particular year. As tax avoidance practice reduces tax payable, the tax revenue of the government is also reduced consequently. And this lead to the government facing different kinds of problems like:
  - The collection of the government revenue is reduced which lead the government to reduce public expenditures. And public services provided by the government is narrowed down.
Different projects taken by the government is stopped in the middle of its completion.

Honest tax payers are sometimes get demotivated may also start adopting tax avoidance practice like them who have no tax integrity.

The growth of the economy may also be reduced and the overall society may suffer the impact of the reduction of government expenditure.

Impact of Social Media to Avoid Tax Practice

Social media's influence on tax avoidance is a complicated, multidimensional problem. Social media platforms can raise public awareness of tax issues and encourage accountability and transparency, but how well they work to address tax abuse depends on a number of different circumstances. Social media platforms give stakeholders such as customers, investors, and civil society organizations a way to get and disseminate information regarding the tax policies of businesses (Lismont, et al., 2018). Through the dissemination of data, studies, and news items pertaining to tax avoidance, social media may foster openness and illuminate corporate unethical behavior. The public may examine businesses' tax policies and hold them responsible for their behavior thanks to social media. Company disclosure of tax contributions, equitable tax practices, and ethical standards adherence can be compelled by negative exposure, online campaigns, and public uproar on social media platforms (Kahiigi, & Semwanga, 2021).

Businesses are becoming more conscious of the damage to their reputation that comes from tax evasion and unethical actions. Social media provides a forum for keeping an eye on public opinion, handling criticism, and managing a company's reputation. Companies may preserve their reputation and win over customers by interacting with stakeholders and acting transparently. Social media activism has the power to change public perception, increase awareness, and push for changes to tax laws (Kakungulu-Mayambala, & Rukundo, 2018). Online campaigns, social media advocacy campaigns, and petitions can put pressure on legislators to fix tax loopholes, strengthen enforcement, and pass tougher tax legislation. Stakeholders can cooperate to advance corporate responsibility, ethical business practices, and tax transparency by pooling resources, exchanging best practices, and working on initiatives together.

Social media sites are susceptible to manipulation by special interests, fake news, and disinformation. Efforts to advance accountability and openness may be undermined by the quick dissemination of false or misleading information regarding tax laws. Due to privacy concerns or pressure from competitors, companies could be reluctant to provide important financial information or interact with stakeholders on social media sites (Mannan, Farhana, & Chowdhury, 2021). Furthermore, when personal information is utilized for internet activism or public shame campaigns, people's right to privacy may be violated. The regulatory landscape, available enforcement channels, and established legal frameworks all influence how successful social media activism is in tackling tax issues. Holding businesses accountable for their tax duties can be hampered by regulatory capture, loose enforcement, and weak regulatory monitoring. Social media may be very helpful in addressing tax practices by encouraging accountability, openness, and public knowledge; however, the extent to which this can happen will depend on a number of factors, such as stakeholder participation, business culture, and legislative frameworks. Stakeholders can cooperate to advance tax justice, improve corporate accountability, and create a more open and moral business climate by utilizing social media and encouraging teamwork.

Discussion

Bangladeshi textile enterprises frequently use several forms of tax evasion to reduce their tax obligations and increase their profits. The
manipulation of transfer pricing, profit shifting to tax havens, underreporting income, and using offshore tax havens are a few examples of these techniques. Even while these tactics could be lawful, they have the potential to reduce the tax base and rob the government of much-needed funds for infrastructure development and public services. Moreover, because corporations shift the cost of taxes to average people and small enterprises, tax dodging methods exacerbate economic inequality. Social media platforms have become effective means of advancing accountability, transparency, and corporate social responsibility within Bangladesh's textile industry. Stakeholders can share information, hold businesses accountable for their activities, and increase awareness of tax avoidance methods through social media platforms like Facebook, LinkedIn, and Twitter. Social media activism has the power to sway public opinion, put pressure on businesses to reveal their tax contributions, and advance legislative changes that address underlying problems.

Social media plays a major role in tax avoidance by drawing attention to unethical activity and increasing public scrutiny. Scandals and disputes involving tax avoidance have the potential to spread rapidly on social media, harming businesses' reputations and inciting negative consumer reaction. For instance, accusations of aggressive tax planning or tax evasion by a textile company may set off boycotts, web campaigns, and unfavorable media coverage, resulting in monetary losses and harm to the company’s reputation. In order to win back the public’s trust, businesses might be forced to implement more open tax laws and enhance their corporate governance procedures. Social media platforms also give interested parties a place to communicate and work together on projects aimed at preventing tax evasion. Social media can be used by advocacy groups, civil society organizations, and concerned individuals to plan campaigns, disseminate research, and have conversations with decision-makers and business stakeholders. Stakeholders can encourage tax transparency, push for regulatory improvements, and hold businesses responsible for their tax duties by utilizing social media.

Notwithstanding its possible advantages, social media activism encounters various obstacles and constraints when it comes to tackling tax evasion in Bangladesh's textile sector. Fake news, misinformation, and online trolls can damage social media campaigns' credibility and impede initiatives to increase public awareness of tax-related issues. Furthermore, businesses might try to sway public opinion through sponsored content, influencer payments, and astroturfing, lessening the effect of grassroots activism. Furthermore, Bangladesh's corporate culture, legal system, and regulatory framework all influence how successful social media is in preventing tax evasion. Efforts to encourage tax transparency and hold businesses accountable for their actions may be hampered by weak regulatory monitoring, slack enforcement, and corruption.

Conclusion

In conclusion, tax evasion in Bangladeshi textile enterprises is a complicated, multidimensional problem with substantial ramifications for social justice, economic growth, and government revenue. Tax evasion strategies can worsen economic disparity, damage the tax base, and destroy public trust even though they may be lawful. Tax evasion by Bangladeshi textile industries poses serious obstacles to social justice, economic growth, and government revenue. Social media can help with these issues by encouraging openness, responsibility, and participation from the general population. To fully realize this potential, though, a variety of stakeholders including governments, businesses, civil society organizations, and individuals must work together to use social media as a driver for development that is both sustainable and good in Bangladesh's textile sector. Stakeholders can increase public awareness, reveal unethical activity, and push for legislative changes to combat tax evasion by using social media sites like Facebook, LinkedIn, and Twitter. Social media activism possesses the capability to galvanize public sentiment, apply pressure on corporations to reveal their tax contributions, and propel regulatory modifications to augment
tax accountability and transparency. Nevertheless, misinformation, legal loopholes, and corporate opposition are some of the obstacles and constraints that social media activism must overcome. To overcome these obstacles, governments, businesses, civil society organizations, and individuals must work together to improve regulatory frameworks, encourage corporate transparency, and cultivate a tax compliance culture.

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Conflict of Interests

There is no conflict of interest.

References


