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THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY (CSR) AND COMPANY SIZE ON TAX AVOIDANCE (CASE STUDY OF COMPANIES IN ALL SECTORS LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2019-2023)

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Abstract

This study aims to analyze the effect of Corporate Social Responsibility (CSR), Capital Intensity, Gender Diversity, and Company Size on tax avoidance. The main theoretical framework used includes stakeholder theory, legitimacy theory, and Stewardship theory. Secondary data used were obtained from annual reports and sustainability reports of companies listed on the Indonesia Stock Exchange (IDX) during the period 2019-2023. The study population includes all companies listed on the Indonesia Stock Exchange (IDX) during that period, with a purposive sampling technique. The sample consisted of 30 companies with a research period of five years, resulting in a total of 150 observations. The results of the study indicate that CSR and company size affect tax avoidance.

Keywords: Tax Avoidance, CSR, Company Size

INTRODUCTION

Taxes are the main source of revenue and are vital in supporting development originating from within the country (Khoiriyah, 2021). Of all the sources of state revenue, tax revenues make a very significant contribution. Based on data from the Ministry of Finance, the state's net tax revenues in 2021 as of December 26th, 2021, were IDR 1,231.87 trillion or 100.19% of the revenue target. This amount exceeds the tax revenue target stated in the 2021 State Budget (APBN), which is IDR 1,229.6 trillion. This shows that tax revenues are showing a positive trend, and the level of taxpayer compliance continues to increase (www.ppak.co.id).

In general, tax payments are considered a burden for companies because they can reduce the amount of net profit obtained. As a result, companies tend to look for ways to minimize the tax burden through tax avoidance practices (Sianturi et al., 2020). Tax avoidance is a practice carried out by individuals or companies to reduce tax obligations. They exploit loopholes in tax laws. Although tax avoidance is legal, this action often causes controversy and criticism because it can reduce state revenues and create injustice among taxpayers. The many cases of tax avoidance reaching IDR 68.7 trillion can be said to be very detrimental to the state. One of the factors that encourages tax avoidance is the large amount of tax that must be paid by a company. This can ultimately cause other taxpayers to be reluctant to fulfill their tax obligations, thus impacting the ineffectiveness of the tax system.

There are several factors that can influence tax avoidance, namely Corporate Social Responsibility (CSR). CSR increases tax avoidance, indicating a trade-off between CSR disclosure and taxes (Faradita, 2023). A positive and statistically significant relationship between tax avoidance and CSR, but there is a moderating role for the strong power of the CEO running the Company.

Another factor that affects the level of tax avoidance is the size of the company. Ngadiman & Puspitasari (2014) found that large companies have more complex operational activities, so there are loopholes to be exploited in tax avoidance. Meanwhile, small companies with limited activities find it difficult to avoid taxes. The larger the company size, the higher the tax avoidance activities carried out. This is because large companies tend to be more capable and stable in generating profits, thus encouraging them to minimize the tax burden (Dewinta & Setiawan, 2016).

This study uses several theories, namely Stakeholder Theory, Legitimacy Theory, and Stewardship Theory. By using these theories, it can provide a comprehensive analytical framework to examine the relationship between CSR and company size. Researchers feel motivated to investigate this problem because previous research results show inconclusive results and a still high level of tax avoidance in Indonesia.

REVIEW OF LITERATURE

Stakeholder Theory

Stakeholder plays an important role in the sustainability of the company. This is because stakeholders have the ability to control the resources needed for the sustainability of the company. Companies must maintain relationships with stakeholders by accommodating their desires and needs, especially stakeholders who have power over the availability of resources used for the company's operational activities, such as workers, customers and owners (Hörisch et al., 2014).

Stakeholdersplay a crucial role in the sustainability of the company because they have the ability to control important resources. Companies should maintain good relationships with stakeholders through transparent and responsible communication. One effort to achieve this is by publishing sustainability reports that present information on the company's economic, social, and environmental performance.

Legitimacy Theory

Legitimacy theory is a concept that explains how organizations strive to maintain and build legitimacy in the eyes of society and stakeholders. According to this theory, organizations must operate in accordance with the norms and values that apply in society in order to be considered legitimate and accepted by the surrounding community.

According to Suchman (1995) there are three types of legitimacy, namely pragmatic legitimacy, moral legitimacy, and cognitive legitimacy. Pragmatic legitimacy is obtained when an organization serves the interests, needs, and aspirations of its closest people. stakeholders. Moral legitimacy is based on the assumption that the organization has succeeded in advancing the welfare of society, which is determined by the value system of society (Suarez et al., 2014). Cognitive legitimacy is the process by which stakeholders passively evaluate the acceptance and understanding of the organization (Alexiou & Wiggins, 2018). From a performance perspective, corporate legitimacy is expected to emerge from the company's ability to build and maintain good relationships with stakeholders through various stakeholder engagement practices. The concepts of empowerment, collaboration, involvement, and participation are considered factors that support legitimacy. From this perspective, the two main types of primary legitimacy strategies can be classified as pragmatic and moral strategies (Ellerup & Thomsen, 2018).

Stewardship Theory

Stewardship theory developed due to dissatisfaction and selfishness as well as clashes between principals and agents in agency theory (Schillemans, 2013). Unlike Agency Theory, which assumes that individuals act primarily based on self-interest, Stewardship Theory states that managers are motivated to act in the best interests of the organization and its stakeholders. This alignment of interests leads to cooperative behavior between managers and principals, which encourages an environment where both parties can achieve their goals together. This theory emphasizes that when managers perceive their interests to be aligned with those of the organization, they tend to engage in pro-organizational behavior. This includes prioritizing organizational success over individual ambition (Anton, 2010).

Tax Avoidance

Tax avoidance or tax avoidance is a series of tax planning activities used by companies that have the desire to minimize tax payments without violating applicable laws and have the aim of avoiding tax obligations or reducing tax obligations. Tax avoidance as a tax avoidance scheme for the purpose of minimizing the tax burden by exploiting loopholes in a country's tax provisions. Conceptually, the tax avoidance scheme is actually legal or legitimate because it does not violate tax provisions.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a serious effort by a business entity to minimize negative impacts and maximize positive impacts of its operations on all stakeholders in the economic, social, and environmental areas in order to achieve the goal of sustainable development (Rachman & Asep 2011). According to Elkington (1997) the 3P concept is able to guarantee the continuity of a company's business. This makes sense, because if a company only pursues profit, environmental damage and neglect of society can be obstacles to the sustainability of its business. Some companies even experience disruptions in their operations because they fail to maintain the balance of these 3Ps. If problems arise from the community, the one who will suffer losses is the business itself (Prastowo & Huda 2011). According to Williams (2001) in Resturiany (2011) states that the purpose of a company implementing CSR is to be able to provide the best benefits for stakeholders by fulfilling economic, legal, ethical and policy responsibilities.

Company Size

Company size is a concept that describes the size of a company that can be measured through various indicators such as total assets, sales, and market capitalization (Febri, 2020). Total assets are considered more stable to reflect the size of the company (Chen, 2019). The larger the company size, the greater the tendency to use foreign capital, due to the need for funds for larger operations (Halim, 2015).

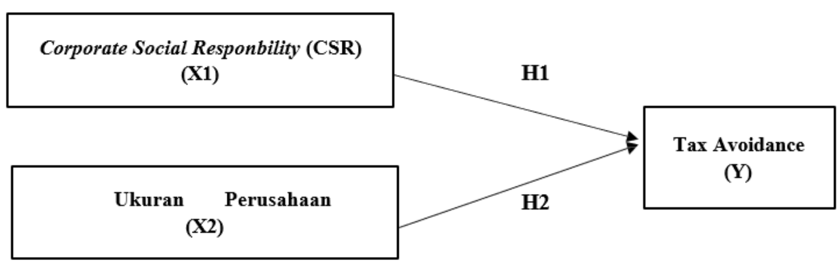

Figure 1.

Conceptual Framework

Based on the conceptual framework above, the research hypothesis can be formulated as follows: H1: Corporate Social Responsibility (CSR) Influences Tax Avoidance

H2: Company Size Affects Tax Avoidance

RESEARCH METHOD

The type of data in this study uses quantitative data, namely the type of data that can be measured with numbers or numerics. The data source used in this study is secondary data. In this case, information is obtained from existing sources, namely annual financial report data and sustainability reports on companies listed on the Indonesia Stock Exchange for the 2019-2023 period which are accessed through the website www.idx.co.id and each company's website.

The population in this study is all sectors of companies listed on the Indonesia Stock Exchange (IDX) for the period 2019-2023. Based on the available data, a population of 930 companies was obtained. The sample selection in this study used non-probability sampling with a purposive sampling method. In this study, the criteria for sampling are:

1) all companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.
2) All companies that publish annual reports and sustainability reports during the period 2019-2023.
3) All companies that experienced losses during the period 2019-2023.

The population in this study was 930 companies and the sample was 30 companies over five years, so the total sample was 150.

Operational Variables

Tax Avoidance

ETR and CETR have a unidirectional relationship, where the lower the value of the company's ETR and CETR, the higher the level of tax avoidance. Conversely, the higher the value of ETR and CETR, the lower the level of tax avoidance carried out. The following are measurements for ETR and CETR. ETR (Effective Tax Rate) is calculated by dividing the total tax paid by profit before tax. Tax avoidance measurement is carried out through ETR, namely by dividing the tax burden by profit before tax.

$$\mathbf{ETR} = \frac{\textit{Total Tax Expanse}}{\textit{Pretax Income}}$$

$$\mathbf{CETR} = \frac{\textit{Cash Tax Paid}}{\textit{Pretax Income}}$$

Corporate Social Responsibility (CSR)

Corporate Social Responsibility is a strategy taken by a company to contribute to the welfare of society and the environment. CSR includes voluntary actions such as charitable donations, educational programs, and environmental initiatives. The main focus of CSR is on positive social impact and the image of the Company. There are many companies that are guided by adopting the Global Reporting Initiative (GRI) in reporting or disclosing the company's CSR. Likewise, in this study, CSR measurement uses the Global Reporting Initiative (GRI) standard.

Based on research by Ningwati et al., (2022) and Yassinta (2023), the author decided to use the GRI Standards, because GRI is the best global practice in reporting economic, environmental, and social impacts openly.

$$\textbf{CSRI} = \frac{\textbf{Number of items used}}{\textbf{Standard CSR disclosure items}}$$

Company size

Company size is a scale used to classify companies into large or small based on several factors, such as total assets, stock market value, average income, and sales volume. This measure reflects the stability and ability of the company to carry out its economic activities.

Large companies generally have more competent experts in managing their tax burden compared to small companies. Small companies tend to be less than optimal in tax management due to limited experts in the field of taxation (Darmadi, 2013). The more resources owned by large companies are able to manage a larger tax burden.

The research on company size variables is measured by the logarithm of total assets. Company size is formulated as follows:

$$\textbf{SIZE = Log (Total Assets)}$$

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1.

Descriptive Statistics Results

	Mean	Median	Max	Min	Std. Dev.	Observations
Tax Avoidance	0.602916	0.572650	2.035714	0.247863	0.210909	150
Corporate Social Responsibility	0.289104	0.228892	1.609631	0.001806	0.223677	150
Company Size	8.944506	8.417201	13.81291	5.529177	2.190983	150

Based on the table above, it can be seen that the data used in this study were 150 observations studied in the period 2019-2023. The variables used in this study are Tax

Avoidance (TA), Corporate Social Responsibility (CSR) and Company Size (UP). The following is an explanation of the results of descriptive statistics on the variables used in this study:

a. The dependent value of Tax Avoidance has a minimum value of 0.247863, a maximum value of 2.035714, a mean value of 0.602916, and a standard deviation value of 0.210909. Tax Avoidance has a mean value of 0.602916 which is greater than the standard deviation value of 0.210909, meaning that it can indicate that the data distribution is even. Standard deviation is a reflection of the average deviation of data from the mean, thus causing the results of data distribution to be normal and unbiased.
b. The independent variable Corporate Social Responsibility (CSR) has a minimum value of 0.001806, a maximum value of 1.60931, a mean value of 0.289104 and a standard deviation value of 0.223677. CSR has a mean value of 0.289104 which is greater than the standard deviation value of 0.223677, meaning that it can indicate that the data distribution is even.
c. Company Size has a minimum value of 5.529177, a maximum value of 13.81291, a mean value of 8.944506, and a standard deviation of 2.190983. Company Size has a mean value of 8.944506, which is greater than the standard deviation value of 2.190983, meaning that it can indicate that the data distribution is even.

Results of Panel Data Regression Model Selection Test Chow Test

Table 2.

Chow Test Panel Data Regression Results

Effects Test	Statistics	df	Probability
Cross-section F	7.939828	(28,112)	0.0000
Cross section Chi-square	158.569880	28	0.0000

Based on the table above, the chow test produces Chi-square cross section probability value of 0.0000 with a significance level of 0.05. Therefore, the Chi-square cross section probability value is 0.0000 < 0.05, it shows that the model selected in this study is FEM.

Hausman Test

Table 3.

Hausman Test Results

Test Summary	Chi-Sq. Statistic	df	Probability
Random cross section	7.906067	4	0.0951

Based on the table above, the Hausman test produces a Chi-square cross section probability value of 0.0951 with a significance level of 0.05. Therefore, the Chi-square cross section probability value is 0.0951> 0.05, which shows that the model selected in this study is REM.

Lagrange Multiplier Test

Table 4.

Multiplier Test Results

	Cross Section	Hypothesis Test Time	Both
Breusch Pagan	85.31494 (0.0000)	0.349992 (0.5541)	85.66493 (0.00000
Honda	9.236609 (0.0000)	0.591601 (0.2771)	6.949594 (0.0000)
King Wu	9.236609 (0.0000)	0.591601 (0.2771)	3.819026 (0.0001)
Standardized Honda	9.964341 (0.0000)	0.993589 (0.1602)	3.651135 (0.0001)
Standardized King- Wu	9.964341 (0.0000)	0.993589 (0.1602)	
Gourieroux et al.	--	--	85.66493 (0.0000)

Based on the table above, the LM test produces a cross-section value of 0.0000 with a significance level of 0.05. Therefore, the probability value of the Chi-square cross section is 0.0000 <0.05, it shows that the model selected in this study is REM.

From the results of the Chow Test, Hausman Test, and LM Test, the best model in this study is REM. It can be concluded that the appropriate model for panel data regression is the Random Effect Model, which means that H0 is rejected and H1 is accepted.

Classical Assumption Test Multicollinearity Test

Table 5.

Normality Test Results

Corporate Social Responsibility		Company Size
Corporate Social Responsibility	1,000,000	0.320957

Company Size	0.320957	1,000,000

The basis for decision making in the multicollinearity test is that if the correlation matrix value between two independent variables is greater than 0.70 then there is multicollinearity, while if the correlation matrix value between two variables is less than 0.70, then there is no multicollinearity. Based on the table above, each of the independent variables has a correlation value less than 0.70, so it can be said that each of the variables in this study does not correlate with variables or there is no multicollinearity problem.

Heteroscedasticity Test

Table 6.

Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Probability
Coefficient	0.495313	0.073361	6.751718	0.0000
Corporate Social Responsibility	-0.187677	0.080270	-2.338061	0.0208
Company Size	0.018839	0.008199	2.297570	0.0230

Based on the table above, it shows that each independent variable, Corporate Social Responsibility and Company Size, has a probability value smaller than the 5% significance level, namely 0.0208 and 0.0230 < 0.05. So it can be said that the residual value from one observation to another is constant, or homoscedasticity, or there is no heteroscedasticity.

Research Data Analysis Results

This study uses the panel data regression analysis method with the help of the E-views program. Random Effect Model (REM) was selected as the best model to use, and there were no problems in the classical assumption test in this study, so the panel data regression equation in this study is as follows:

$$\textbf{TA} = 0.495313 - 0.187677\ \text{CSR} + 0.018839\ \text{UP} + \varepsilon$$

Information :

TA	=	Tax Avoidance
α	=	Constants
β	=	Regression Coefficient of Independent Variables
CSR	=	Corporate Social Responsibility (CSR)

UP	=	Company Size
Ɛ	=	Error term
i	=	Company data
t	=	Period data

t-Test (Partial)

Table 7.

T-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Probability
Coefficient	0.495313	0.073361	6.751718	0.0000
Corporate Social Responsibility	-0.187677	0.080270	-2.338061	0.0208
Company Size	0.018839	0.008199	2.297570	0.0230

Based on the table above, the results of the t-test conducted can be concluded as follows:

1. The CSR variable has a t count of -2.338061. It can be seen that the t count value < t table is -2.338061 < 1.97646 with a significance value of 0.0208 > 0.05. It can be concluded that the CSR variable has a positive and significant effect on the TA variable (H1 is accepted).
2. The UP variable has a t count of 2.297570. It can be seen that the t count value > t table is 2.297570 > 1.97646 with a significance value of 0.0230 < 0.05. It can be concluded that the CI variable has a positive and significant effect on the TA variable (H4 is accepted).

F-Test (Simultaneous)

Table 8.

F Test Results

F-statistic	2.42572
Prob(F-statistic)	0.05064

Based on significance, the calculated f value can be obtained as 2.42572 with a probability value of 0.0506 where the probability value of 0.050654 > 0.05 can be concluded that CSR and UP simultaneously have a significant effect on TA.

Coefficient of Determination (R^2) Test

Table 9.

Results of Determination Coefficient Test

Adjusted R-squared	0.03683

The adjusted R-squared value is 0.036863 or 4%. The coefficient of determination value shows that the independent variables consisting of CSR and UP are able to explain the tax avoidance variable by 4%, while the remaining 96% (100 - adjusted R-squared value) is explained by other variables not included in this research model.

The Influence of Corporate Social Responsibility on Tax Avoidance

The results of statistical testing in this study show the probability value of CSR on the TA variable is 0.0208, which means that CSR has a significant effect on TA. then it can be concluded that the CSR variable has a positive and significant effect on the TA variable, The first hypothesis is accepted. Effective implementation of CSR can provide long-term benefits for companies, including improving reputation, customer loyalty, and financial performance. By adopting CSR as part of their business strategy, companies can not only improve their reputation and tax compliance, but also contribute to sustainable social and environmental development.

The Influence of Company Size on Tax Avoidance

The results of statistical testing in this study indicate that the probability value of KP on the TA variable is 0.0230, which means that KP has a significant effect on TA. then it can be concluded that the UP variable has a positive and significant effect on the TA variable, the fourth hypothesis is accepted. The classification of the size of a company is very important because the size of the company is often related to various aspects, such as:

1. Access to Capital: Large companies tend to have an easier time obtaining funding from banks or investors.
2. Operational Efficiency: Large companies are usually able to take advantage of economies of scale, resulting in lower production costs per unit.
3. Business Risk: Small companies are often considered to have a higher level of risk than large companies.

4. Organizational Structure: The bigger the company, the more complex the organizational structure.

In addition, larger companies tend to have higher levels of tax avoidance. This is due to more complex transactions and the ability of large companies to exploit loopholes in tax regulations.

CONCLUSION

This study aims to examine the effect of Corporate Social Responsibility (CSR) and company size on tax avoidance in companies listed on the Indonesia Stock Exchange for the period 2019-2023. CSR has an effect on tax avoidance because the implementation of CSR certainly affects the company's tax avoidance decision. Company size also plays a role in the tax avoidance strategy implemented by the company.

This study has limitations in terms of the variables used. The dependent variable in this study is measured using the effective tax rate ratio, while the independent variables consist of CSR measured through the CSR disclosure ratio, company size measured through the proportion of Natural Log (LN) to the company's total assets. There are still other variables that can affect tax avoidance, such as sales growth, company performance, and transfer pricing, which are not included in this study. Therefore, further research is recommended to use samples with a longer observation period and a larger sample size to obtain more accurate results.

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