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The Effect of CSR and ESG Disclosure on Tax Avoidance with Financial Performance as a Moderation

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Abstract

This research was conducted with the aim of testing and analyzing the effect of Corporate Social Responsibility and ESG Disclosure on Tax Avoidance with Financial Performance as a moderating variable. The data sources for this study are 66 annual reports and sustainability reports from banking companies listed on the IDX for the 2018-2022 period. The sample in this study was determined using the purposive sampling method with the first criterion being companies that published annual reports and sustainability reports for 2018-2022 and companies that had published annual reports and reports for the 2022 period before June 15, 2023. The variables used in this study were tax avoidance as the dependent variable measured using the Effective Tax Rate (ETR) proxy, corporate social responsibility and ESG Disclosure as independent variables each measured using the CSR Score and ESG Score, and financial performance as a moderating variable measured using Return on Assets. The results of this study state that Corporate Social Responsibility and ESG Disclosure have no effect on tax avoidance. Then, financial performance using Return on Assets measurement is significantly stated to be able to strengthen the relationship between Corporate Social Responsibility and ESG Disclosure on tax avoidance.

Research purpose:

This research is important for companies to know the impact that will arise if the company is proven to have committed tax avoidance as well as assisting companies in making the right decisions regarding their taxation.

Research motivation:

This study will explain whether corporate social and environmental responsibility that has been carried out in the form of CSR and ESG disclosure can influence a company's decision to avoid tax and explain whether ROA can influence the relationship between CSR and ESG disclosure on tax avoidance.

Research design, approach, and method:

This research is a quantitative research using secondary data. The populations are annual reports and sustainability reports of banking sector companies listed on the IDX for the 2018-2022 period. The research sample was determined using a purposive sampling method. The processing of research data is assisted by the SPSS version 29 program.

Main findings:

Corporate Social Responsibility and ESG Disclosure have no effect on tax avoidance. Financial performance with ROA strengthens the relationship between Corporate Social Responsibility and ESG Disclosure on tax avoidance.

Practical/managerial implications:

The results of this research can be used as consideration for companies to maintain the company's image and reputation by not avoiding tax. In addition, the company is expected to be able to manage its assets properly so that the profit generated is maximized so that the company is able to allocate funds not only for CSR and ESG Disclosure but also to fulfill the company's obligations to pay taxes. Companies must also re-check CSR activities and ESG disclosures that have been carried out to ensure that there are no loopholes for tax avoidance.

N. D. Nguyen and P. T. T. Hong (eds.), *Proceedings of the 11th International Conference on Emerging Challenges: Smart Business and Digital Economy 2023 (ICECH 2023)*, Advances in Economics, Business and Management Research 274,
https://doi.org/10.2991/978-94-6463-348-1_5

Keywords: Corporate Social Responsibility, ESG Disclosure, Financial Performance, Return on Assets, Tax Avoidance

1. INTRODUCTION

Tax is one source of income that contributes the largest nominal to the state and a form of contribution from society to the state. State revenue from the tax sector can be used for infrastructure development, increasing community prosperity, and others (Pandapotan 2023). In 2022, tax revenue has managed to reach IDR 1,717.8 trillion of the total realized state revenue of IDR 2,034.5 trillion. The tax collection system in Indonesia is self-assessment, in which taxpayers are entrusted with calculating, paying and reporting their tax payable independently. Even though they have been given full trust, there are taxpayers who think that paying taxes is a component of costs that can reduce profits (Aryatama and Raharja 2021) and cause taxpayers to take action to minimize their tax amount (Pandapotan 2023) and (López-González et al. 2019). Actions taken to minimize the tax burden can be carried out both illegally and legally. The act of reducing the amount of tax illegally is referred to as tax avoidance and if done legally it is referred to as tax avoidance (Bana and Ghozali 2022).

Tax avoidance is a company's attempt to reduce or optimize the company's tax burden (Aryatama and Raharja 2021). Even though tax avoidance is a legal action, this practice is often considered as unethical behavior because it harms the state and society (Anggraini and Wahyudi 2022). Tax avoidance is carried out by companies to increase shareholder wealth (Li et al. 2022).

Many studies have discussed tax avoidance, such as that conducted by Bana and Ghozali (2022) which states that the board of commissioners' gender diversity has an influence on the occurrence of tax avoidance. Pandapotan (2023) in his research said that CSR disclosure can be used as an alternative for tax avoidance. The results of this study are not different from the results obtained by Abdelfattah and Aboud (2020) that the higher the possibility of a company doing tax avoidance, the higher the level of CSR disclosure. This aims to reduce the potential for public concern and show that the company has met the expectations of society. Furthermore, according to research conducted by Aryatama and Raharja (2021) capital intensity can affect tax avoidance. Then, according to research conducted by Anggraini and Wahyudi (2022) ESG owned by companies also does not make companies avoid tax avoidance. Furthermore, according to the research results of Susanto and Veronica (2022) leverage and intangible assets have a significant effect on tax avoidance. The results of the research by Maidina and Wati (2020) say that political connections and financial performance as measured using profitability and leverage have an effect on tax avoidance. Similar results were also obtained by Malinda and Pradana (2022) where leverage has an effect on tax avoidance. Other factors that influence tax avoidance are mentioned in the research results from Riawan and Putri (2022), namely financial performance (ROA), inventory intensity and sales growth. In Kusufiyah and Anggraini's (2019) research company size and ROA are factors for tax avoidance.

The research mentioned above has revealed several factors that can influence tax avoidance. One of the factors mentioned above is Corporate Social Responsibility (CSR). CSR is a form of corporate responsibility to external parties by paying attention to the environment and social. López-González et al. (2019) results prove that companies that actively carry out CSR activities are more likely to reduce tax avoidance. The result is in line with what was said by Susanto and Veronica (2022) that there are companies that have good CSR performance and tend to avoid tax avoidance. Different results are shown by Pandapotan (2023). The results of his research can prove that CSR in companies can have a significant effect on tax avoidance, which means that corporate CSR can be used as an alternative for companies to avoid taxes.

Company CSR activities have many impacts that will be received by companies such as increasing access to capital, improving financial performance, improving company image, minimizing operational costs, increasing sales and customer loyalty, and increasing company quality and productivity (Dewi et al. 2021). With the implementation of CSR, the company is expected to be able to increase customer attractiveness and support from stakeholders so that it can have an impact on sales and financial support for the continuity of company operations (Safrani and Utomo 2020; Nugroho and Hersugondo 2022).

Not only CSR, ESG disclosure is also one of the factors that will be used in this study. ESG disclosure is a form of interaction between companies and stakeholders regarding non-financial information such as social and environmental information. With ESG disclosure, companies can improve company reputation which will have a positive impact on company value. This will make management tend to think of ways to maintain or enhance the company's reputation. So it is impossible for companies to avoid taxes. The explanation above is in line with the research results that have been conducted by Duong and Huang (2022) providing evidence that ESG has a significant effect on tax avoidance practices and research from Yoon et al. (2021) found that ESG has an influence on tax avoidance practices.

Financial performance is a representation of a company's financial condition. Financial performance can be analyzed using financial ratios. The ratio used in this study is the profitability ratio. The profitability ratio used in this study is Return on Assets (ROA). ROA is a measure of a company's success in generating profits from all of the company's assets, including its own capital and foreign capital, which have been converted into company assets in order to maintain the company's survival. The high value of the company's ROA indicates the higher the company's profit. The increase in profits generated by the company will also increase the company's tax burden. This can be one of the reasons for company management to avoid taxes. This explanation is in line with the results obtained by Maidina and Wati (2020) that profitability has a significant and significant effect on tax avoidance actions. Similar results were also obtained from the results obtained by Riawan and Putri (2022).

This research is important for companies to know the impacts and risks that will arise if the company is proven to have committed tax avoidance and to assist companies in making the right decisions regarding their taxation. This study underscores the urgency to find out whether there is a possibility that CSR and ESG disclosures that have been carried out by companies can be an alternative for companies in carrying out tax avoidance or that tax avoidance by companies can be motivated by the company's efforts in carrying out CSR activities and disclosure of ESG as a source of funding that utilizes loopholes in existing regulations. Therefore, this study has a novelty to focus on explaining whether corporate social and environmental responsibility that has been carried out in the form of CSR and ESG disclosure can influence a company's decision to avoid taxes. In addition, this study will also explain whether ROA can affect the relationship between CSR and ESG disclosure on tax avoidance.

2

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 LITERATURE REVIEW

2.1.1 Agency Theory

Agency theory is a theory that explains the relationship between principal and agent. Jensen & Meckling (1976) said that there is a contract between managers as agents and company owners as principals. These differences cause conflict. The manager (agent) is responsible for realizing the owner's wishes, but on the other hand the manager (agent) also tries to improve his welfare. This was also stated in research conducted by Susanto & Veronica, (2022) where the relationship between shareholders and managers is not free from conflict, shareholders want a return on their share investment, while management wants maximum rewards for their performance. Differences result in information being inefficient and can influence policy (Pandapotan, 2023). Apart from that, management as the party who regulates the course of company activities will know more about company information and provide opportunities to take actions such as tax avoidance in order to obtain maximum profits (Susanto & Veronica, 2022).

2.1.2 Legitimacy Theory

Dowling & Pfeffer (1975) believe that legitimacy theory in companies is a company's effort to always build a balance between company values and norms that apply in the surrounding environment, and companies are also part of the social environment. Legitimacy according to Dowling & Pfeffer (1975) can be influenced by the level of organizational compliance with existing rules or regulations, conformity with community values and the contribution that the organization has made to community welfare. Dowling & Pfeffer (1975) also explained that the presence of legitimacy theory aims to determine the efforts that companies will carry out to maintain their sustainability or existence. Legitimacy theory will focus on interactions between companies and society, where disclosure of corporate social responsibility is an effort for companies to gain legitimacy and ensure the sustainability of their companies (Pandapotan, 2023). Legitimacy theory emphasizes that companies must always pay attention to all activities carried out so that they remain in accordance with the values and social norms in the area where the company is located. Apart from that, companies must also always evaluate and adjust social values as a legitimation tactic in the hope that the company can continue its business activities (Safriani & Utomo, 2020). Aryatama & Raharja (2021) said that one of the efforts that companies can make to gain legitimacy from the public is to pay taxes in accordance with tax regulations and not carry out tax avoidance actions that could harm various parties. Apart from that, according to Pandapotan (2023), companies that express corporate social responsibility mean that they really care about and are responsible for the environment or social activities in order to gain positive recognition from the community or other external parties.

2.1.3 Tax Avoidance

Tax avoidance is a form of tax planning in order to minimize the tax burden. This is a legal way that companies can do because it is still within the scope of taxation and does not violate tax regulations (Zain 2008). Tax avoidance can be done by exploiting weaknesses or gaps in tax regulations or provisions (Maidina and Wati 2020). Even though it is a legal action, this practice is often considered unethical behavior because it harms the country and society as a whole (Anggraini and Wahyudi 2022). In addition, tax avoidance is an active form of tax resistance (Kusufiyah and Anggraini 2019). Another goal for companies to avoid taxes is to increase shareholder wealth (Li et al. 2022).

2.1.4 Corporate Social Responsibility

According to Law number 40 of 2007 Corporate Social Responsibility (CSR) is a form of company commitment to contribute to economic development which can be useful for improving the quality of life and the environment for the company and the surrounding community. CSR according to Agusfianto et al. (2023) is the concept of utilizing company resources in order to achieve profits with social and environmental responsibility in mind and in accordance with business rules without ignoring business ethics. CSR is a form of corporate responsibility by paying attention to the environment and social to shareholders, government and society (Pandapotan 2023). López-González et al. (2019) said that CSR plays an important role in enhancing the company's reputation and the trust of the company's stakeholders.

2.1.5 ESG Disclosure

ESG covers all activities involving company efforts to have a positive impact on the environment and society by focusing on issues such as corporate governance, integrity, ethics and transparency (Abdelfattah and Aboud 2020). ESG is important in investing and making business decisions because many investors and consumers pay attention to the company's social and environmental impacts (Safriani and Utomo 2020). ESG disclosure practices are supported by laws or stock exchange regulations that require ESG disclosure. ESG disclosure practices become an important tool in identifying business risks and opportunities depending on the size and complexity of the company. Disclosure of social and environmental information is a form of interaction between the company and stakeholders as well as the company's efforts to gain legitimacy from the community and all stakeholders with the expectation that a good image has been created for the disclosures that have been made (Safriani and Utomo 2020).

2.1.6 Profitability

This study uses profitability ratios as a proxy for financial performance. Profitability is a tool for measuring company effectiveness by looking at how much profit the company gets (Kusufiyah and Anggraini 2019). If the company's profitability ratio is high, then there is efficiency on the part of management because by increasing company profits, the profitability of the company has also increased. One of the ratios of profitability is Return on Assets (ROA). ROA is a measure of a company's ability to generate profits from all the assets owned by the company (Handayani 2022). If ROA increases, this shows how effectively companies manage their assets in generating profits. Profitability is used in this study because if the profitability of a company is high, then there is a possibility for the company to do tax avoidance in order to maximize the profits it gets.

2.2 HYPOTHESIS DEVELOPMENT

2.2.1 The Effect of Corporate Social Responsibility on Tax Avoidance

Dowling and Pfeffer (1975) said that in the theory of legitimacy, companies will try to create harmony between company values and the norms that apply in the surrounding social environment. This was done in order to gain public legitimacy. One of the company's efforts is the existence of corporate social responsibility (CSR) which is a form of corporate responsibility to external parties as a step to improve the company's reputation. According to legitimacy theory, disclosure of CSR is also a form of corporate concern and responsibility to the environment and society. In addition, other efforts that companies can take are paying taxes and avoiding tax avoidance because they are considered not in accordance with ethics and norms. The results of López-González et al. (2019) provide evidence that companies that actively carry out CSR activities tend to reduce tax avoidance. In addition, the results of Pandapotan's research (2023) corporate social responsibility can have a positive and significant effect on tax avoidance. That is, corporate social responsibility is used as an alternative to avoid taxes. Therefore, the hypothesis in this study is:

H1: Corporate social responsibility affects tax avoidance

2.2.2 Effect of ESG Disclosure on Tax Avoidance

The theory of legitimacy says that disclosing social and environmental information can be a form of company effort to gain community legitimacy. Disclosure of this information focuses on issues such as corporate governance, integrity, ethics and transparency in order to gain a good image and reputation from the public. Companies that have a good image in the public are believed to have done the right things. Therefore, companies that have carried out social activities are considered not to be involved in things that are not in accordance with ethics, one example is tax avoidance. The results of the research conducted by Anggraini and Wahyudi (2022) say that ESG has a negative effect on tax avoidance. Then, the results of Yoon et al. (2021) prove that the ESG score has an effect on tax avoidance practices. The results of research by Duong and Huang (2022) say that ESG has a significant positive effect on tax avoidance. Therefore, the second hypothesis of this study is:

H2: ESG disclosure has an effect on tax avoidance

2.2.3 Financial Performance Moderates the Effect of Corporate Social Responsibility on Tax Avoidance

Financial performance in this study uses a profitability ratio, namely Return on Assets (ROA). Companies with a high level of profitability will be more honest when reporting their tax burden because this is a way for companies to show their contribution to the public interest (Artini and Setiawan 2021). Companies with high profitability are considered to be able to disclose CSR much more broadly because they are considered to be able to set aside some of their funds to carry out broad activities that can have social and environmental impacts (Darmastika and Ratnadi 2019). The results of research conducted by Kusufiyah and Anggraini (2019) found that financial performance using the Return on Asset (ROA) approach has a negative effect on tax avoidance actions. It can be concluded that companies with high profitability are far more concerned with their social responsibility and tend to avoid tax avoidance because they are not in accordance with the norms and companies are aware that the taxes paid will have an impact on society. Therefore, the hypothesis in this study is:

H3: Financial performance moderates the effect of CSR on tax avoidance

2.2.4 Financial Performance Moderates the Effect of ESG Disclosure on Tax Avoidance

The company's profitability level shows how much the company's ability to allocate their resources for social and environmental activities. The higher the company's profitability, the easier it will be for the company's decisions to fund social and environmental activities (Vivianita et al. 2022). In addition, it is considered that companies with high profitability can disclose information regarding this matter because they are considered capable of setting aside some of their funds. Furthermore, information regarding the funds used and the types of activities that have been carried out are disclosed in the report as a form of corporate communication to the public and other parties. This communication is in line with the theory of legitimacy that companies must disclose financial and non-financial information when they have a social contract with the community in order to gain community legitimacy and enhance the company's image. Companies with a good image are expected to be companies that are honest, have integrity and have ethics so they don't do things outside the norms that exist in society, one of which is tax avoidance because it can have an impact on society. Therefore, the hypothesis in this study is:

H4: Financial performance moderates the effect of ESG disclosure on tax avoidance

3. METHODOLOGY

3.1 Research Design

This research is a quantitative research using secondary data. The population of this study are annual reports and sustainability reports of banking sector companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period. The research sample was determined using a purposive sampling method with the criteria of banking sector companies publishing annual reports and sustainability reports for the 2018-2022 period. The number of samples obtained was 66 observation data. Annual reports and sustainability reports can be obtained through the IDX website and the company's official website. The processing of research data is assisted by the SPSS version 29 program. The tests to be carried out are descriptive statistical analysis, classical assumption tests, multiple regression analysis and Moderated Regression Analysis (MRA).

3.2 Equations

The following research models:

Model 1 ETR $= \alpha + \beta 1CSR + \beta 2ESGD + e1$

Model 2 ETR $= \alpha + \beta 1CSR + \beta 2ESGD\ \beta 3ROA + e2$

Model 3 ETR $= \alpha + \beta 1CSR + \beta 2ESGD + \beta 3ROA + \beta 4ESGD{*}ROA + \beta 5\ CSR{*}ROA + e3$

Description:

ROA = Return on Assets
CSR = Corporate Social Responsibility
ESGD = ESG Disclosure
ETR = Effective Tax Rate
ESGD*ROA = Interaction between ESG Disclosure with Financial Perfromance
CSR*ROA = Interaction between CSR with Financial Perfromance

3.3 Units

This study has three types of variables, namely the dependent variable, independent variable and moderation. The dependent variable used is tax avoidance, then the independent variable used is corporate social responsibility and ESG disclosure, and the moderating variable in this study is financial performance.

Variable	Measurement
Tax Avoidance	$\mathbf{ETR} = \dfrac{\text{Income Tax Expense}}{\text{Profit Before Tax}}$ (Pandapotan 2023)
Corporate Social Responsibility	$\boldsymbol{CSRDi} = \dfrac{\sum \mathbf{X}\boldsymbol{i}}{\boldsymbol{n}}$ (Aryatama and Raharja 2021)
ESG Disclosure	ESG Score (Anggraini and Wahyudi 2022)
Financial Performance	$\mathbf{ROA} = \dfrac{\text{Laba Bersih}}{\text{Total Asset}}$ (Aryatama and Raharja 2021)

4. Results and Discussion

4.1 Result

Descriptive Statistics Test

Table 2

Descriptive Statistical Test Results

Variabel	N	Min	Max	Mean	Std. Dev
ETR	66	-.26773	.36665	.2162	.0958
CSR	66	.16327	.76860	.4542	.1424
ESGD	66	.25850	.90000	.5555	.1645
ROA	66	-.06270	.04000	.0156	.0178

Descriptive statistical test on the dependent variable, namely ETR, the minimum value is -0.26773 from Bank KB Bukopin in 2021 and the maximum value is 0.36665 from Bank KB Bukopin in 2019 with a mean value of 0.2162759. Then for the first independent variable, CSR, the minimum value is 0.16327 from Bank OCBC NISP in 2018 and the maximum value is 0.76860 from Bank Tabungan Negara in 2022 with a mean value of 0.4542328. Then, in the ESGD the minimum value is 0.25850 from the China Construction Bank and the maximum value is 0.90000 from the East Java Regional Development Bank in 2018 with a mean value of 0.5555796. Furthermore, for the moderating variable, namely ROA, the minimum value is -0.06270 from Bank KB Bukopin in 2022 and the maximum value is 0.04000 at Bank Central Asia in 2018 with a mean value of 0.0156470.

Determination Coefficient Test

Tabel 3
Determination Coefficient Test Results

Model	R Square	Adjusted R Square
1	.005	-.027
2	.406	.377
3	.593	.559

In model 1, the adjusted R2 value is -0.027, which means that variations in the independent variables, namely Corporate Social Responsibility and ESG Disclosure, can explain variations in the tax avoidance variable of -2.7%. Then, in model 2 the value of adjusted R2 is 0.377 which means that the variation of the Corporate Social Responsibility, ESG Disclosure and ROA variables is able to explain the variation of tax avoidance as much as 37.7% and the rest is explained by other variables not included in the study. Finally, in model 3 the value of adjusted R2 is 55.9%, which means that variations from the independent variables namely Corporate Social Responsibility, ESG Disclosure, ROA, ESGM and CSRM can explain variations in the tax avoidance variable of 55.9% and the rest is explained by other variables not included in the study.

Test F

Tabel 4
F test results

Model	F	Sig.
1	.158	.854
2	14.138	<.001
3	17.481	<.001

The results of the F test on model 1 get a sig. of 0.854 so that it can be said that the independent variable does not affect the dependent variable, namely tax avoidance. While in models 2 and 3 the value of sig. obtained is <0.001 or smaller than the probability value of 0.05. Therefore, it can be concluded that in model 2 the independent variables of corporate social responsibility and ESG disclosure are able to influence the dependent variable, namely tax avoidance. Furthermore, in model 3 it can be concluded that together the independent variables of corporate social responsibility and ESG disclosure as well as the moderating variable, namely ROA, are able to influence the dependent variable, namely tax avoidance.

Test t

Tabel 5
Test t Results

Model	Variabel	Unstandardized Coefficient B	Sig. 2-tailed	Sig. 1-tailed
1	(Constant)	.228		
	CSR	-.063	.577	.288
	ESGD	.051	.695	.347
2	(Constant)	.192		
	CSR	.039	.661	.330
	ESGD	-.116	.268	.134
	ROA	3.513	<.001	.000
3	(Constant)	.271		
	CSR	-.461	<.001	.000
	ESGD	.389	.049	.024
	ROA	-1.824	.373	.186
	CSR*ROA	-23.551	.004	.002
	ESGD*ROA	26.461	<.001	.000

The results of the t test can conclude that Corporate Social Responsibility has a significance value of 0.288 greater than 0.05 and it can be concluded that **H1 is rejected**. This means that Corporate Social Responsibility has no effect on tax avoidance. Then, ESG disclosure which has a significance value of 0.347 more than 0.05 concluded that **H2 is rejected**. This means that ESG disclosure has no effect on tax avoidance. Furthermore, the effect of Corporate Social Responsibility on tax avoidance moderated by ROA has a sig value. one tailed of 0.002 is smaller than 0.05 so it can be seen that **H3 is accepted**. This means that profitability strengthens the influence of Corporate Social Responsibility on tax avoidance. Finally, the effect of ESG Disclosure on tax avoidance moderated by ROA has a sig value. one tailed by 0.000 is smaller than 0.05 so it is concluded that **H4 is accepted**. This means that profitability strengthens the effect of ESG disclosure on tax avoidance.

Analysis

Corporate Social Responsibility Influences Tax Avoidance

The results of the study concluded that corporate social responsibility has no effect on tax avoidance. The results of this study support the legitimacy theory that corporate social responsibility activities are an attempt to gain the trust of various parties. In accordance with this theory, it can be said that companies that have gained public trust are more aware of their social responsibility towards paying taxes because companies understand that the taxes paid are a form of company contribution to help and improve the welfare of society. Therefore, corporate social responsibility is considered to be a way to increase tax revenues which can help the government to build and prosper the community. The results of research conducted by Artini and Setiawan (2021) also support the legitimacy theory that disclosing corporate CSR activities and paying tax obligations in accordance with the nominal should be a form of corporate social responsibility. The results of this study are in line with the results obtained by López-González et al. (2019) that companies that actively carry out CSR will try to avoid tax avoidance practices.

ESG Disclosure Affects Tax Avoidance

ESG Disclosure is carried out as a form of communication regarding the condition and activities of the company regarding financial and non-financial matters with external parties. The test results conclude that ESG Disclosure has no effect on tax avoidance. The results of this study are in line with the legitimacy theory which has been explained that disclosing information related to social and environment is a company's effort to gain community legitimacy as well as a good image or reputation. To maintain or enhance the company's reputation, companies strive to carry out their business activities in accordance with applicable norms. Therefore, companies that have disclosed social and environmental related information are considered highly unlikely to take tax avoidance actions. The results that the researchers obtained are consistent with the results of research from Susanto and Veronica (2022) that there are a handful of companies with good CSR performance that will avoid tax avoidance practices. Similar results were also obtained by Anggraini and Wahyudi (2022) who said that ESG could not affect tax avoidance.

Financial Performance Moderates the Effect of Corporate Social Responsibility on Tax Avoidance

The results of the test show that financial performance using ROA measurement significantly strengthens the relationship between Corporate Social Responsibility and tax avoidance. Companies with high profitability can freely exploit loopholes in managing their tax burden. The existence of agency theory can trigger managers as agents in managing their tax burden so as not to reduce the profits earned by the company. In this case, agents can use CSR as an alternative for companies to carry out tax avoidance actions. There are several CSR activities that can reduce corporate income tax. Therefore, the presence of CSR costs can reduce fiscal profits as well as reduce the company's tax payable because CSR costs come from the profits that the company has earned. This underlies the fact that CSR activities can influence a company's tax avoidance behavior.

Financial Performance Moderates the Effect of ESG Disclosure on Tax Avoidance

The results of the tests carried out show that financial performance using ROA measurements significantly strengthens the relationship between ESG disclosure and tax avoidance. Companies with strong financial conditions will receive more pressure from external parties to reveal their social responsibility more widely. Therefore, it can be said that the higher the profitability of a company, the greater the disclosure of social information. The results obtained by researchers support the agency theory which has been explained previously, that when making decisions related to finance, it can cause conflicts among interest owners, where there are several shareholders who want to maximize the wealth of company owners, thus demanding managers to maximize their performance and profits, one of which is by carry out tax avoidance to minimize the company's tax burden.

5. CONCLUSION

The results of this study provide evidence that Corporate Social Responsibility and ESG Disclosure have no effect on tax avoidance. Financial performance by measuring ROA significantly strengthens the relationship between Corporate Social Responsibility on tax avoidance and the relationship between ESG Disclosure on tax avoidance. These results are expected to be a consideration for the company in maintaining the company's image by not doing tax avoidance and the company is expected to be able to manage its assets properly to maximize profits so that the company is able to allocate funds not only for CSR and ESG Disclosure but also to fulfill the company's obligations to pay taxes. Companies are also required to re-check CSR activities and ESG disclosures that have been carried out to ensure that there are no loopholes for tax avoidance. Some limitations in this study are that there are banking companies that do not upload sustainability reports in 2018, thereby reducing the research sample and there are still outlier data that must be removed from the research so that the normality test that is carried out can be fulfilled. Further researchers are advised to expand or replace the research sector, add or replace the proxy variable of tax avoidance to Cash Effective Tax rate (CETR), Current Effective Tax rate (CuETR) or GAAP Effective Tax rate, and add or replace the proxy variable of financial performance to Return on Equity (ROE), Return on Investment (ROI), or Earning Per Share (EPS).

6. ACKNOWLEDGMENTS

Praise the authors go to the presence of Allah SWT who has bestowed His mercy and grace, so that the writer can finish this journal with the title "The Influence of Corporate Social Responsibility and ESG Disclosure on Tax Avoidance with Financial Performance as a Moderation Variable" properly and in accordance with the time allowed has been planned. During the process of writing this journal, the writer realizes that there are some difficulties that the writer faces, but with guidance, assistance, motivation, and prayers from various good parties, this thesis can be completed properly. Thank you for the help and prayers that have been given during the process of compiling this journal. The author realizes that this journal is not close to being perfect because of the limitations of the author's knowledge and experience. The author hopes that this journal can fulfill its goals and be of benefit to readers.

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