

The Influence of Corporate Social Responsibility on Tax Avoidance among Manufacturing Companies Listed on the Indonesia Stock Exchange for the Period 2020–2023

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ABSTRACT

Purpose: This study aims to examine the effect of Corporate Social Responsibility (CSR) disclosure on tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2020–2023. This study is grounded in stakeholder theory and legitimacy theory, which suggest that CSR disclosure reflects corporate responsibility and may influence tax-related behavior.

Research Method: This study used a quantitative approach, drawing on secondary data from the annual and sustainability reports of 45 manufacturing companies, yielding 180 firm-year observations selected through purposive sampling. CSR disclosure was measured using the CSR Index (CSRI) based on GRI Standards, while tax avoidance was proxied by the Effective Tax Rate (ETR). The hypothesis was tested using a panel data regression with the Fixed-Effects Model.

Results and Discussion: The findings show that CSR disclosure has a significant negative effect on tax avoidance. Companies with higher CSR disclosure tend to have higher ETR values, indicating lower tax avoidance. This result suggests that CSR disclosure is associated with stronger tax compliance and supports stakeholder and legitimacy theories in explaining corporate tax practices.

Implications: This study provides practical implications for regulators, investors, and stakeholders by showing that CSR disclosure may signal corporate tax behavior. It also encourages companies to strengthen CSR as part of responsible corporate governance.

Originality: This study provides empirical evidence on the relationship between CSR disclosure and tax avoidance in Indonesian manufacturing companies during the post-pandemic period.

Keywords: corporate social responsibility; tax avoidance; effective tax rate; manufacturing companies; Indonesia Stock Exchange

1. Introduction

Tax revenue plays a crucial role in financing economic development and public welfare programs in emerging economies. In Indonesia, tax revenue remains the largest source of government income, reaching IDR 1,869.2 trillion in 2023, up 8.9% from the previous year. Despite this growth, Indonesia's tax ratio remains relatively low, at approximately 10.31% of GDP in 2023, considerably below that of several ASEAN countries. This condition raises concerns regarding the effectiveness of tax collection and the extent to which corporations contribute to national fiscal sustainability. One of the most frequently



cited explanations for this issue is corporate tax avoidance, whereby firms legally minimize tax payments by strategically exploiting regulatory loopholes and tax-planning opportunities (Hanlon & Heitzman, 2010).

Tax avoidance has become an increasingly important issue for governments, regulators, investors, and society because it creates a tension between corporate profit maximization and broader social responsibility. Although tax avoidance is generally considered legal, excessive tax avoidance may reduce public revenues needed to finance infrastructure, education, healthcare, and environmental protection. Consequently, corporate tax behavior is no longer viewed solely as a financial decision but also as a reflection of corporate accountability and ethical responsibility toward stakeholders. In recent years, the Indonesian tax authority has intensified its monitoring of aggressive tax planning activities through enhanced audits, transfer pricing examinations, and tax compliance initiatives, reflecting growing concerns about the social consequences of corporate tax avoidance.

Simultaneously, Corporate Social Responsibility (CSR) has emerged as a central component of modern corporate governance and sustainability strategies. CSR refers to corporate initiatives aimed at creating economic, environmental, and social value for stakeholders beyond shareholders alone. In Indonesia, CSR disclosure has received increasing regulatory attention through Law No. 40 of 2007 concerning Limited Liability Companies and Law No. 25 of 2007 concerning Investment. As stakeholder expectations continue to rise, firms are increasingly expected to demonstrate responsible business conduct through transparent sustainability reporting and broader social engagement activities.

The relationship between CSR and tax avoidance has attracted growing scholarly attention because both practices reflect how firms balance economic objectives with societal expectations. From the perspective of Stakeholder Theory (Freeman, 1984), firms are expected to address the interests of multiple stakeholders, including governments and society, which benefit directly from corporate tax contributions. Firms that actively engage in CSR activities are therefore expected to avoid aggressive tax strategies that could undermine stakeholder trust. Similarly, Legitimacy Theory (Suchman, 1995) suggests that firms seek social acceptance by aligning their actions with societal norms and expectations. Because taxes represent an important contribution to social welfare and economic development, aggressive tax avoidance may threaten corporate legitimacy and contradict the ethical image promoted through CSR disclosure. Consequently, firms with stronger CSR commitments may be less likely to engage in tax avoidance practices.

Despite extensive research, empirical evidence regarding the CSR–tax avoidance relationship remains inconclusive. A stream of studies reports that CSR disclosure is associated with lower tax avoidance because socially responsible firms tend to prioritize ethical behavior, transparency, and stakeholder interests. In contrast, another stream of literature argues that CSR may serve as a reputational mechanism that enables managers to conceal opportunistic activities, including aggressive tax planning, thereby producing a positive or insignificant relationship between CSR and tax avoidance. Furthermore, variations in institutional environments, tax regulations, CSR measurement approaches, and tax-avoidance proxies have yielded mixed empirical findings across countries and industries. These inconsistencies indicate that the relationship between CSR and tax avoidance remains far from settled and warrants further investigation.

More importantly, existing studies have predominantly focused on developed economies, while evidence from emerging markets remains relatively limited. This limitation is important because institutional characteristics, regulatory enforcement, stakeholder pressure, and corporate governance practices differ substantially between developed and emerging economies. Indonesia provides a



particularly interesting context due to its mandatory CSR regulations, evolving tax governance framework, and increasing public scrutiny regarding corporate accountability. Therefore, findings derived from developed countries may not be directly applicable to Indonesian firms. This contextual difference creates an important empirical gap that requires further examination.

In addition, prior studies have generally examined broad samples of listed companies, while limited attention has been paid to manufacturing firms, despite their strategic importance in the Indonesian economy. The manufacturing sector contributes significantly to national GDP and represents one of the largest groups of firms listed on the Indonesia Stock Exchange (IDX). Manufacturing firms typically possess more complex operational structures, extensive supply chains, and greater opportunities for tax planning activities than firms in many other sectors. At the same time, these firms are under increasing pressure to disclose CSR information and demonstrate their sustainability commitments. These characteristics make the manufacturing sector an appropriate setting for examining the relationship between CSR disclosure and tax avoidance.

This study investigates the effect of CSR disclosure on tax avoidance among manufacturing firms listed on the Indonesia Stock Exchange during the 2020–2023 period. The selected period is particularly relevant because it represents the post-pandemic economic recovery phase, during which firms faced heightened financial pressures and increasing stakeholder demands for transparency and sustainability reporting. Examining this period provides an opportunity to understand whether CSR commitments influence corporate tax behavior under challenging economic conditions.

This study contributes to the literature in several ways. First, it addresses the inconsistent findings in prior CSR–tax avoidance research by providing updated evidence from an emerging market characterized by mandatory CSR disclosure requirements and evolving tax governance mechanisms. Second, this study extends the application of Stakeholder Theory and Legitimacy Theory by integrating both perspectives to explain how CSR disclosure may influence corporate tax behavior. Third, by focusing on Indonesian manufacturing firms during the post-pandemic recovery period, this study provides context-specific evidence that enriches the growing literature on sustainability and corporate taxation in emerging economies. Finally, the findings offer practical implications for regulators, tax authorities, investors, and corporate managers seeking to promote both sustainable business practices and responsible tax behavior.

The remainder of this paper is organized as follows. Section 2 provides a literature review and hypothesis development. Section 3 presents the research method and design. Section 4 provides the results and discussion. Section 5 presents Concluding Remarks and Recommendations.

2. Literature Review and Hypothesis Development

2.1 Stakeholder Theory

Stakeholder Theory, introduced by Freeman (1984), posits that corporations are responsible not only to shareholders but also to a broader set of stakeholders, including employees, customers, suppliers, local communities, governments, and society as a whole. Unlike traditional shareholder-oriented perspectives that emphasize profit maximization, stakeholder theory suggests that firms must balance economic objectives with social responsibilities to maintain long-term relationships with key stakeholders.

In the context of corporate taxation, governments are among the most important stakeholders because tax revenues finance public services, infrastructure development, education, healthcare, and

environmental protection. Consequently, corporate tax payments can be viewed not merely as a legal obligation but also as a contribution to societal welfare. Firms that actively engage in CSR initiatives are expected to recognize the interests of broader stakeholders and therefore exhibit greater commitment to responsible tax behavior.

Recent studies provide support for this argument. Firms with stronger stakeholder orientations generally demonstrate higher levels of transparency, accountability, and ethical conduct, which may discourage aggressive tax planning practices. However, some studies suggest that managers may selectively respond to stakeholder pressures by emphasizing visible CSR activities while pursuing strategies that maximize financial benefits, such as tax minimization. This divergence in empirical findings indicates that the relationship between CSR and tax avoidance remains theoretically relevant and warrants further investigation, particularly in emerging market settings where stakeholder expectations and institutional enforcement may differ substantially from those in developed economies.

Therefore, Stakeholder Theory predicts that firms with extensive CSR disclosure are more likely to prioritize long-term stakeholder relationships over short-term financial gains from aggressive tax avoidance.

2.2 Legitimacy Theory

Legitimacy Theory offers an additional perspective on the relationship between CSR disclosure and tax avoidance. According to Suchman (1995), organizational survival depends on the extent to which corporate activities are perceived as consistent with prevailing social norms, values, and expectations. Firms continuously seek legitimacy because it enables them to secure resources, attract investors, maintain customer trust, and reduce regulatory scrutiny.

CSR disclosure is widely regarded as an important mechanism through which firms communicate their commitment to social and environmental responsibility. Through sustainability reporting, companies attempt to demonstrate that their operations align with societal expectations regarding ethical business conduct. Consequently, CSR disclosure serves not only as an information disclosure mechanism but also as a legitimacy-building strategy. However, a critical debate exists over whether CSR genuinely reflects responsible corporate behavior or merely serves as a symbolic tool of legitimacy. Some scholars argue that firms with extensive CSR engagement are less likely to participate in aggressive tax avoidance because such practices would undermine the credibility of their social responsibility commitments. Conversely, other researchers suggest that CSR activities may be strategically employed as a reputational shield that masks opportunistic managerial behavior, including aggressive tax planning. Under this perspective, firms may use CSR disclosure to offset potential reputational damage arising from controversial business practices.

These competing arguments contribute to the mixed empirical evidence documented in prior literature. Accordingly, examining the CSR–tax avoidance relationship within the Indonesian context provides an opportunity to determine whether CSR reflects substantive corporate responsibility or symbolic legitimacy management.

2.3 Corporate Social Responsibility Disclosure

Corporate Social Responsibility (CSR) refers to a firm's commitment to managing the economic, environmental, and social consequences of its operations while contributing to sustainable

development (Carroll, 1991). Over the past decade, CSR has evolved from a voluntary business practice into a strategic component of corporate governance and sustainability management. The Global Reporting Initiative (GRI) Standards have emerged as one of the most widely adopted frameworks for CSR reporting worldwide. The framework encompasses economic, environmental, and social dimensions, providing comprehensive disclosure guidelines that facilitate transparency and comparability across firms. In Indonesia, the implementation of sustainability reporting has increased significantly, driven by regulatory encouragement and growing stakeholder demand for corporate accountability.

Prior studies suggest that firms with higher CSR disclosure generally exhibit stronger governance structures, greater transparency, and enhanced accountability mechanisms. These characteristics are expected to reduce managerial opportunism and promote ethical decision-making. Nevertheless, some studies have questioned whether extensive CSR disclosure necessarily reflects genuine responsibility, arguing that disclosure quality may differ substantially across firms. Therefore, understanding how CSR disclosure influences corporate tax behavior remains an important empirical issue. In this study, CSR disclosure is measured using the Corporate Social Responsibility Index (CSRI), which is based on the proportion of disclosed items relative to the total applicable items under the GRI Standards.

2.4 Tax Avoidance and Its Measurement

Tax avoidance refers to corporate actions aimed at reducing explicit tax liabilities through arrangements that comply with the letter of tax regulations but may contradict their underlying intent (Hanlon & Heitzman, 2010). Although tax avoidance is generally legal, excessive tax avoidance may generate reputational risks, regulatory scrutiny, and negative stakeholder perceptions. The literature has employed several proxies to measure tax avoidance, including the Effective Tax Rate (ETR), the Cash Effective Tax Rate (CETR), and the Book-Tax Difference (BTD). Each measure captures distinct dimensions of tax-planning behavior. ETR reflects the proportion of accounting income paid as tax expense; CETR focuses on cash taxes paid; and BTD captures the discrepancy between accounting income and taxable income.

Despite the availability of alternative measures, ETR remains one of the most widely used proxies in accounting and taxation research due to its simplicity, transparency, and data availability. ETR provides a direct indication of a firm's overall tax burden and facilitates comparison across firms and periods. Compared with BTD, ETR is less susceptible to distortions arising from earnings management and accounting accrual adjustments. Nevertheless, ETR may not fully capture sophisticated tax planning strategies and may be affected by temporary differences between accounting and taxable income. Given its widespread use in prior studies and the availability of reliable financial statement data, this study employs ETR as the primary proxy for tax avoidance. Lower ETR values indicate a greater likelihood of tax avoidance, whereas higher ETR values indicate stronger tax compliance.

2.5 CSR Disclosure and Tax Avoidance

The relationship between CSR disclosure and tax avoidance remains one of the most debated issues in the accounting and sustainability literature. From the perspective of Stakeholder Theory, firms that engage extensively in CSR activities are expected to consider the interests of broader stakeholder

groups, including governments and society, thereby reducing incentives to engage in aggressive tax avoidance. Paying a fair share of taxes can be seen as an important contribution to social welfare and public development, consistent with CSR principles. Similarly, Legitimacy Theory suggests that firms seek to maintain social approval by aligning their behavior with societal expectations. Since aggressive tax avoidance is often perceived as inconsistent with responsible corporate conduct, firms that invest heavily in CSR disclosure may avoid tax strategies that could threaten their legitimacy and reputation.

Empirical evidence generally supports a negative association between CSR and tax avoidance. Several studies report that firms with stronger CSR engagement exhibit lower levels of tax aggressiveness because they prioritize ethical conduct, transparency, and stakeholder trust. However, other studies report insignificant or even positive relationships, suggesting that CSR disclosure may sometimes be used as a symbolic mechanism to conceal opportunistic activities. These conflicting findings indicate that the CSR–tax avoidance relationship remains context-dependent and may vary across institutional environments.

Considering Indonesia's regulatory environment, increasing public scrutiny of corporate accountability, and mandatory CSR disclosure requirements, firms with higher CSR disclosure are expected to demonstrate greater commitment to responsible tax practices and lower engagement in tax avoidance. The relationship between Corporate Social Responsibility (CSR) and tax avoidance has become an increasingly prominent research topic over the past decade. Prior studies generally report a negative association between CSR and tax avoidance, although the magnitude and significance of this relationship vary across different contexts. Several relevant studies that serve as references for the present research are summarized in Table 1.

Table 1. Summary of Previous Studies

Author(s) (Year)	Variables and Method	Sample	Findings
Sibarani & Tarmidi (2024).	CSR, business strategy → tax avoidance; panel data regression	Listed companies on the Indonesia Stock Exchange (IDX), 2018–2022	CSR has a significant negative effect on tax avoidance
Mukarramah & Nugroho (2025)	Transfer pricing, earnings management, CSR, firm size → tax avoidance; panel regression	IDX-listed companies, 2019–2022	CSR negatively affects tax avoidance
Nokiyanti <i>et al.</i> , (2023)	CSR, tunneling incentive, capital intensity → tax avoidance; multiple regression	Manufacturing companies listed on the IDX, 2017–2021	CSR negatively affects tax avoidance
Khasanah & Kusuma (2025).	CSR, tax avoidance, and tax aggressiveness; systematic literature review	25 journal articles published between 2015 and 2024	Higher CSR engagement is associated with lower tax aggressiveness
Wulandari <i>et al.</i> , (2023).	CSR, leverage, profitability, firm size → tax avoidance; panel regression	Manufacturing companies listed on the IDX, 2018–2022	CSR has no significant effect; leverage negatively affects tax avoidance

Source: Compiled from various sources (2025).

As shown in Table 1, most prior studies report a negative relationship between CSR and tax avoidance. However, the findings of Wulandari *et al.*, (2023) reveal an inconsistent result: CSR does not significantly influence tax avoidance. These discrepancies may be attributable to differences in the proxies used to measure tax avoidance, variations in the study periods, and differences in sample composition. To address this research gap, the present study employs the Effective Tax Rate (ETR) as a

proxy for tax avoidance. It focuses on the 2020–2023 period, which has received relatively limited attention in previous research. Drawing upon the theoretical foundations of Stakeholder Theory and Legitimacy Theory, as well as empirical evidence from the majority of previous studies, the following hypothesis is proposed:

H1: *Corporate Social Responsibility disclosure has a negative effect on tax avoidance among manufacturing companies.*

3. Research Method

3.1 Data Type and Sources

This study employs a quantitative explanatory research design to examine the causal relationships among the variables under investigation using statistically testable numerical data. The study uses secondary data from the annual and sustainability reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2023 period. All data were collected from the official IDX website, the respective companies' official websites, and the Bloomberg and OSIRIS databases to ensure the accuracy and cross-verification of financial information.

3.2 Population and Sample

The population of this study comprises all manufacturing companies consistently listed on the Indonesia Stock Exchange throughout the 2020–2023 observation period. According to IDX data as of December 2023, more than 200 companies were classified within the manufacturing sector. Given that not all companies met the required data availability criteria, a purposive sampling technique was employed based on the following criteria: (1) Manufacturing companies that were continuously listed on the IDX from 2020 to 2023 without experiencing suspension or delisting; (2) Companies that consistently published complete annual reports and sustainability reports throughout the study period; (3) Companies that disclosed complete financial information regarding income tax expense, pre-tax income, total assets, total liabilities, and net income; and (4) Companies that did not report a pre-tax loss during the observation period, as negative earnings would result in a negative Effective Tax Rate (ETR), rendering it unsuitable as a proxy for tax avoidance.

The sample selection process resulted in 45 companies that satisfied all criteria, yielding a total of 180 firm-year observations (45 companies × 4 years). The sample includes several major publicly listed firms, such as PT Astra International Tbk, PT Indofood Sukses Makmur Tbk, PT Indofood CBP Sukses Makmur Tbk, PT Kalbe Farma Tbk, PT Unilever Indonesia Tbk, PT Gudang Garam Tbk, PT Semen Indonesia (Persero) Tbk, and PT Kimia Farma Tbk, representing various manufacturing subsectors, including food and beverages, pharmaceuticals, tobacco products, cement, automotive, and components.

3.3 Variables and Measurement

The dependent variable in this study is tax avoidance, which is proxied by the Effective Tax Rate (ETR). The ETR is calculated using the following formula:

$$ETR_{it} = \text{Income Tax Expense}_{it} / \text{Pre-Tax Income}_{it} \quad (1)$$

The ETR value ranges from 0 to 1. An ETR below the prevailing corporate income tax rate (22%) indicates tax avoidance.

The primary independent variable is Corporate Social Responsibility (CSR) disclosure, measured using the Corporate Social Responsibility Index (CSRI) based on the Global Reporting Initiative (GRI) Standards. The CSRI is calculated as follows:

$$CSRI_{it} = \sum X_{ij} / n_j \tag{2}$$

Where X_{ij} equals 1 if item j is disclosed by company i , and 0 otherwise; while n_j represents the total number of relevant disclosure items under the GRI Standards. The CSRI value ranges from 0 to 1, with higher values indicating broader CSR disclosure coverage.

Table 2. Operational Definition of Research Variables

Variable	Proxy	Formula	Reference
Tax Avoidance (Y)	ETR	Income Tax Expense / Pre-Tax Income	Dewi (2023); Hanlon & Heitzman (2010)
CSR (X1)	CSRI	Total Disclosed Items / Total Relevant GRI Items	Wulandari <i>et al.</i> , (2023)
Firm Size (X2)	SIZE	Ln(Total Assets)	Zaenuddin & Dyarini (2023)
Leverage (X3)	LEV	Total Liabilities / Total Assets	Sibarani & Tarmidi (2024)
Profitability (X4)	ROA	Net Income / Total Assets	Nokiyanti <i>et al.</i> , (2023)

Source: Compiled from various references (2025).

3.4 Research Model

The panel data regression model estimated in this study is specified as follows:

$$ETR_{it} = \alpha + \beta_1 CSRI_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \varepsilon_{it} \tag{3}$$

Where i denotes the i -th firm ($i = 1, 2, \dots, 45$), and t denotes the observation year ($t = 2020, 2021, 2022, 2023$). The parameter

α represents the intercept, $\beta_1 - \beta_4$ represent the regression coefficients of the explanatory variables, and ε_{it} denotes the error term. Consistent with the research hypothesis, the coefficient 1 is expected to be negative and statistically significant.

3.4 Data Analysis Technique

The data were analyzed using a panel-data regression approach comprising three main stages. The first stage involved selecting the most appropriate estimation model through two statistical tests: the Chow test, which determines whether the Common Effect Model (CEM) or the Fixed Effect Model (FEM) is more suitable, and the Hausman test, which determines whether the Fixed Effect Model (FEM) or the Random Effect Model (REM) should be employed.

The second stage consisted of conducting classical assumption tests, including the residual normality test (Jarque–Bera test), a multicollinearity test using the Variance Inflation Factor (VIF), a heteroscedasticity test using the Glejser method, and an autocorrelation test using the Durbin–Watson statistic.

The third stage involved interpreting the panel regression results through partial significance testing (t-test), simultaneous significance testing (F-test), and evaluating the coefficient of



determination (R^2 and Adjusted R^2). All statistical analyses were performed using EViews 12 and SPSS 26 software.

4. Results and Discussion

4.1 Analysis Results

4.1.1 Descriptive Statistics

Table 3 presents the descriptive statistics for all variables used in this study, based on 180 firm-year observations from 45 manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period.

Table 3. Descriptive Statistics of Research Variables (n = 180)

Variable	Minimum	Maximum	Mean	Std. Dev.	N
ETR	0.0423	0.4912	0.2156	0.0874	180
CSRI	0.1538	0.7692	0.4231	0.1349	180
SIZE (Ln Assets)	26.23	32.84	29.47	1.621	180
LEV	0.1023	0.8145	0.4267	0.1621	180
ROA	0.0112	0.3245	0.0978	0.0612	180

Source: Processed data (2025).

The mean ETR of 0.2156 is slightly below the prevailing corporate income tax rate of 22%, suggesting that, on average, the sample firms engaged in tax avoidance at a moderate level. The minimum ETR of 0.0423, substantially below the statutory tax rate, suggests that certain firms may have adopted relatively aggressive tax-avoidance strategies. Conversely, the maximum ETR value of 0.4912 suggests that some firms paid taxes considerably above the statutory rate, potentially due to fiscal adjustments or deferred tax expenses. The relatively high standard deviation of ETR (0.0874) reflects substantial heterogeneity in tax-related behavior among the sampled firms.

The average CSRI score of 0.4231 indicates that firms disclosed approximately 42.3% of the applicable items under the GRI Standards. The broad range of CSRI values, from 0.1538 to 0.7692, demonstrates considerable variation in firms' commitment and capability regarding CSR disclosure practices. In general, larger corporations such as ASII, UNVR, and KLBF tend to exhibit higher CSRI scores, reflecting more structured sustainability management systems and greater familiarity with international reporting standards.

4.1.2 Model Selection and Classical Assumption Tests

The Chow test yielded an F-statistic of 4.2317 with a p-value of 0.0000, which is below the significance level of 0.05. Accordingly, the null hypothesis that the Common Effect Model (CEM) is preferable was rejected, indicating that the Fixed Effect Model (FEM) is more appropriate than the CEM.

Subsequently, the Hausman test yielded a chi-square statistic of 18.4521 with a p-value of 0.0010, which is below the 0.05 significance threshold. Therefore, the null hypothesis favoring the Random Effect Model (REM) was rejected, and the FEM was selected as the final estimation model. From an econometric perspective, the FEM is particularly well-suited to panel data on publicly listed firms because it effectively controls for unobserved firm-specific heterogeneity.

The classical assumption tests produced satisfactory results. The Jarque–Bera normality test yielded a p-value of 0.0823, which exceeds the 0.05 significance level, indicating that the residuals are normally distributed. The multicollinearity test showed that all Variance Inflation Factor (VIF) values were below 10, with the highest VIF for CSRI at 2.14, suggesting the absence of serious multicollinearity. The Glejser heteroscedasticity test yielded statistically insignificant probability values for all independent variables ($p > 0.05$), confirming that the homoscedasticity assumption was satisfied. Finally, the Durbin–Watson statistic was 1.8743, which falls within the acceptable range for the absence of autocorrelation ($dL = 1.738$ and $dU = 1.820$ for $n = 180$, $k = 4$, $\alpha = 5\%$). Therefore, the model satisfies the autocorrelation assumption.

4.1.3 Hypothesis Testing Results

Table 4 presents the estimation results of the panel data regression using the Fixed Effect Model.

Table 4. Fixed Effect Model Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Probability
Constant (α)	0.4123	0.0501	8.2341	0.0000***
CSRI (β_1) → H1	-0.1876	0.0543	-3.4512	0.0007***
SIZE (β_2)	-0.0234	0.0109	-2.1456	0.0332**
LEV (β_3)	-0.0891	0.0333	-2.6734	0.0081***
ROA (β_4)	0.2134	0.0517	4.1238	0.0000***

$R^2 = 0.4823$ | Adjusted $R^2 = 0.4312$ | F-statistic = 39.4521 (Prob. = 0.0000*) | Observations = 180**

Notes: *** significant at 1%; ** significant at 5%; * significant at 10%.

Source: Processed using EViews 12 (2025).

4.2 Discussion

The results presented in Table 4 indicate that the regression model is statistically fit, as evidenced by the F-statistic of 39.4521, which is significant at the 1% level. The Adjusted R^2 value of 0.4312 indicates that approximately 43.12% of the variation in ETR is explained by the four independent variables, with the remaining variation attributable to factors not captured by the model. This level of explanatory power is considered reasonable and consistent with prior studies conducted in the Indonesian context.

The primary variable of interest, CSR disclosure (CSRI), has a coefficient of -0.1876, a t-statistic of -3.4512, and a probability value of 0.0007, indicating significance at the 1% level. This finding implies that a one-unit increase in the CSR disclosure score (on a scale ranging from 0 to 1) is associated with a decrease of 0.1876 points in the ETR, holding all other variables constant. Accordingly, Hypothesis 1 (H1), which posits that CSR disclosure negatively affects tax avoidance, is supported.

The negative coefficient is theoretically meaningful. Firms with higher levels of CSR disclosure, such as those that consistently publish GRI-based sustainability reports, tend to exhibit higher effective tax payments and, consequently, lower levels of tax avoidance. This finding supports the proposition that socially responsible firms are less likely to engage in aggressive tax planning practices.

The result is consistent with the predictions of Stakeholder Theory, which suggests that firms committed to serving the interests of a broad range of stakeholders—including governments and society at large—are more likely to regard tax compliance as an integral component of their social responsibilities. Likewise, from the perspective of Legitimacy Theory, firms that actively cultivate a positive public image through comprehensive CSR reporting face greater reputational risks if they are

perceived to engage in aggressive tax avoidance. Such reputational concerns may act as an effective deterrent against excessive tax minimization strategies.

The findings are also in line with those reported by Sibarani and Tarmidi (2024) and Mukarramah and Nugroho (2025), both of whom documented a negative relationship between CSR and tax avoidance in Indonesia. Similarly, Khasanah and Kusuma (2025), in their systematic literature review, concluded that most prior studies support this negative association. However, the present findings differ from those of Wulandari *et al.*, (2023), who reported no significant relationship between CSR and tax avoidance. This discrepancy may stem from differences in sample composition. Unlike the present study, Wulandari *et al.*, (2023) did not restrict their sample to firms that actively publish GRI-based sustainability reports, potentially resulting in lower variation in CSR disclosure measurements.

Regarding the control variables, firm size (SIZE) has a statistically significant negative coefficient ($\beta = -0.0234$, $p = 0.0332$), indicating that larger firms tend to have lower ETR values and therefore engage in higher levels of tax avoidance. This finding is consistent with Political Power Theory, which argues that larger firms possess greater resources and capabilities to exploit tax-planning opportunities, including transfer pricing arrangements and sophisticated tax-management strategies.

Leverage (LEV) also demonstrates a significant negative effect ($\beta = -0.0891$, $p = 0.0081$), supporting the argument that firms with higher debt proportions benefit from interest tax shields, thereby reducing their effective tax burden. In contrast, profitability (ROA) exhibits a positive and statistically significant effect on ETR ($\beta = 0.2134$, $p = 0.0000$), suggesting that more profitable firms tend to pay higher taxes. This result is economically intuitive, as greater profitability generally leads to higher taxable income and, consequently, higher tax liabilities, particularly when firms do not aggressively engage in tax planning activities.

5. Concluding Remarks and Recommendation

This study aimed to examine the effect of Corporate Social Responsibility (CSR) disclosure on tax avoidance among 45 manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period. Using a Fixed Effect panel data regression model based on 180 firm-year observations, the study found that CSR disclosure has a negative and statistically significant effect on tax avoidance, as proxied by the Effective Tax Rate (ETR). This finding indicates that manufacturing firms with stronger CSR commitments, reflected in higher Corporate Social Responsibility Index (CSRI) scores, tend to exhibit greater tax compliance, as evidenced by higher ETR values.

From a theoretical perspective, the findings reinforce the relevance of Stakeholder Theory and Legitimacy Theory in explaining corporate tax behavior, particularly within the context of emerging economies such as Indonesia. Stakeholder Theory provides a normative explanation that firms with a strong stakeholder orientation perceive tax payments as a responsibility rather than a financial burden. Meanwhile, Legitimacy Theory offers a strategic explanation, suggesting that firms avoid aggressive tax avoidance practices due to the potential reputational costs associated with such behavior. These two theoretical perspectives complement one another and are empirically supported by the results of this study. The practical implications of this research can be viewed from two dimensions. First, for tax authorities and policymakers, the findings suggest that strengthening CSR-related disclosure regulations and incentives may serve as an effective indirect mechanism for enhancing corporate tax compliance. Policies encouraging firms to adopt internationally recognized CSR reporting frameworks,

such as the GRI Standards, may help improve tax compliance behavior. Second, for investors and capital market analysts, CSRI scores may serve as an additional signal in evaluating the quality of corporate governance and legal compliance, including firms' tax-related practices.

Several limitations of this study should be acknowledged. First, tax avoidance was measured solely using the Effective Tax Rate (ETR). In contrast, alternative proxies such as the Cash Effective Tax Rate (CETR) and Book-Tax Differences (BTD) may provide additional insights and capture different dimensions of tax avoidance behavior. Second, the study focused exclusively on manufacturing firms, which may limit the generalizability of the findings to other industrial sectors. Third, the measurement of CSR disclosure relied on a quantitative CSRI approach based on the presence or absence of GRI disclosure items, without considering the quality, depth, or substantive content of the disclosures. Future studies are encouraged to extend this line of inquiry in several ways. First, researchers may employ multiple tax-avoidance proxies simultaneously to obtain a more comprehensive assessment of corporate tax-avoidance practices. Second, future research may broaden the sample by incorporating firms from other sectors or by conducting cross-sector comparisons to enhance the generalizability of the findings. Third, potential moderating variables, such as institutional ownership, audit quality, and political connections, may be incorporated to deepen understanding of the relationship between CSR disclosure and tax avoidance. Finally, future studies may develop more nuanced measures of CSR performance by incorporating content analysis techniques or Environmental, Social, and Governance (ESG) ratings provided by independent rating agencies, thereby capturing not only the extent but also the quality of CSR disclosures.

Statement of Use of Generative AI

During the preparation of this work, the author used generative artificial intelligence tools to support the scientific writing process. Grammarly was used to check grammar, refine writing style, and improve clarity in scientific writing. All interpretations, analyses, and conclusions presented in this study are the sole responsibility of the author.

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