The impact of economic and social dimensions from CSR and firm size towards tax avoidance

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Abstract

This research aimed to analyze the effect of economic and social dimensions of Corporate Social Responsibility (CSR) and company size toward tax avoidance. The proxy to measure tax avoidance used in this research is Effective Tax Rate (ETR). The sample of this research uses manufacturing companies in sector consumer goods industry and basic industries and chemical listed in Indonesia Stock Exchange (IDX) for pre-covid 19 (2014 – 2018). The analysis technique used in this research is multiple linear regression analysis. The result of analysis showed that social dimension of CSR has significant negative effect on tax avoidance. This means if CSR social dimension increase then tax avoidance will decrease. Company size has significant positive effect on tax avoidance. This means if the company size is increase then tax avoidance will increase. CSR economic dimension has no significant effect towards tax avoidance.

Keywords: *social dimension; economic dimension; CSR; company size; tax avoidance*

Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh dimensi sosial dan dimensi ekonomi dari Corporate Social Responsibility (CSR) *dan ukuran perusahaan terhadap penghindaran pajak. Proksi yang digunakan untuk menghitung penghindaran pajak adalah* Effective Tax Rate (ETR). *Sampel data dalam penelitian ini menggunakan perusahaan manufaktur sektor industri barang konsumsi dan industri dasar dan kimia yang terdaftar di Bursa Efek Indonesia (BEI) sebelum covid-19 (tahun 2014 – 2018). Teknik analisis yang digunakan dalam penelitian ini adalah analisis regresi linier berganda. Hasil analisis menunjukkan bahwa CSR dimensi sosial berpengaruh negatif signifikan terhadap penghindaran pajak. Hal ini menunjukkan bahwa semakin tinggi dimensi sosial dalam pengungkapan CSR maka semakin rendah tingkat penghindaran pajaknya. Ukuran perusahaan berpengaruh positif signifikan terhadap penghindaran pajak. Hal ini menunjukkan bahwa semakin besar ukuran perusahaan maka penghindaran pajak semakin tinggi. Sedangkan hasil analisis menunjukkan bahwa dimensi ekonomi dari CSR tidak berpengaruh terhadap penghindaran pajak.*

Kata kunci: *dimensi sosial; ekonomi; CSR; ukuran perusahaan; penghindaran pajak*

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INTRODUCTION

Background of Study

The purpose of this study is to investigate the impact of corporate social responsibility (CSR) in economic and social dimension and size of the company towards tax avoidance. The contribution to tax is large for corporation. Not as many as in the literature, this study focuses on corporation, not on individual tax payers. According to legitimacy theory, organization like corporation need to be viewed and considered legitimate by the stakeholders including the society (Downling & Pfeffer, 1979). Create value through moral ethics using CSR is one of this action. Paying tax is one of the company obligations towards the government as the principal (providing permission, right and authority) as in the agency theory of Jensen and Meckling (1976). This tax becomes one of the government main sources of revenue for the national budget (APBN). However, based on the Revenue Statistics in Asian and Pacific Economies report released by The Organization for Economic Cooperation and Development (OECD) about tax ratio from year 2007-2017, Indonesia is placed at the bottom. One of the cause of low tax ratio in Indonesia is the company tax avoidance behavior or the aggressive tax planning (OECD, 2018). The amount of income from taxes in Indonesia is presented in the Table 1.

Table 1. Indonesia national income year pre covid-19 (2014 – 2018) (in billion rupiahs)

Source of Income	2014	2015	2016	2017	2018
Income from Tax	1.146.866	1.240.419	1.284.970	1.343.530	1.548.485
Income from non-Tax	398.590	255.628	261.976	311.216	349.158
Total	1.545.456	1.496.047	1.546.946	1.654.746	1.897.643

Source: www.bps.go.id

Based on the numbers projected in Table 1 we can see that Indonesia’s main income is from taxes. The amount of income from tax is significantly increasing from year to year. In 2015, the amount is raised 7.5% from previous year. In 2016, the rate increases 3.5% and in 2017 and 2018 the amount increased 4% and 13% simultaneously. This comparison pictures how Indonesian government relies on the income from tax as the national economic source of fund.

The ministry of finance set the target on how much the tax should be collected each year. In year 2012 – 2015, tax collection effectiveness in Indonesia significantly decreasing because the tax collection system in Indonesia still meets some obstacles and not optimal (Dharma & Noviari, 2017). From year to year, the Indonesian government becomes intensive to do tax optimization to increase the tax collection from the taxpayers. Tax collection effectiveness is projected in the Table 2.

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Table 2. Indonesia's Tax Collection Effectiveness

Year	Target (in trillion rupiahs)	Realization (in trillion rupiahs)	Tax Collection Effectiveness (percentage)
2014	1.072	985	91.9%
2015	1.294	1.055	81.5%
2016	1.539	1.283	83.4%
2017	1.283	1.147	89.4%
2018	1.424	1.316	92%

Source: www.kemenkeu.go.id

Based on the Table 2, can be seen there is an increase in the tax collection effectiveness. However, the income tax earnings still fluctuate because in 2017 the income is decreasing. Moreover, the realization of the tax collected has not met the target for the past five years. The effort to optimize the tax collection is not going to be smooth because of several barriers; tax avoidance activity is one of them.

To support this main issue on tax realization, the organizational performance achievement is still low. For instance, there is a shortfall of Rp.132 trillion from the 2017 APBN-P target (LAKIN DJP, 2017).

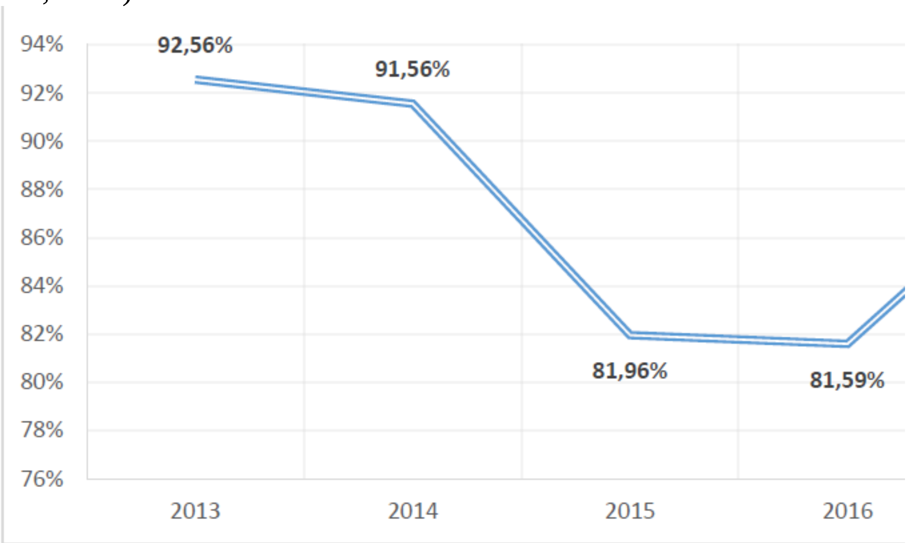

Figure 1. Realization percentage of tax receipt from organizational performance achievement

Source: LAKIN DJP (2017)

Figure 1 shows the drastic downtrend of the tax realization in terms of the organizational performance. This includes the stakeholders (such as corporations), customers, internal process and learning and growth.

Based on the traditional concept of CSR, there are three dimensions: economic, environmental, and social. The companies are expected to pay attention to their operations and activities regarding the economic, environmental, and social sectors by society (Knuutinen, 2014). There are plenty of researches about CSR and tax avoidance, however, most of the study only discuss about the CSR in general and environmental dimension of CSR. Previous research done by Laguir *et al*, (2015) found that there is no significant effect of environmental dimension of CSR towards tax avoidance. Therefore, this research wants to raise the two dimensions of CSR which are economic and social dimension.

CSR is characterised according to its contribution to economic prosperity, environmental quality and social capital (Rodriguez *et al*., 2015). Since environmental dimension is not observed in this research, the other two essential aspects must be taken care of to create the synergy between the company and the society. Economically, the company is profit oriented which means the company's main goal is to create more income, but on the other hands, the company should make the direct contribution for society in order to raise its surrounding life and environment quality (Prasista & Setiawan, 2016).

The other factor that can affect tax avoidance activity other than CSR is company size, because company is the taxpayer and the size of company can affected the decision in order to fulfill its obligation to pay tax expenses. Company size can be projected from total assets of the company. The higher the total assets indicates the bigger size of company, means the complexity of the transaction is on another level which there is a possibility the company using the loopholes in every transaction to do the tax avoidance activity (Rego, 2003).

Previous research done by Darmawan and Sukharta (2014), Dewinta and Setiawan (2016), and Irianto *et al*., (2017) result that company's size have significant positive impact towards tax avoidance, while Kurniasih and Sari (2013), Ngadiman and Puspitasari (2014) and Dewi and Noviari (2017) found that company size have significant negative impact towards tax avoidance. The other studies conducted by Saifudin and Yunanda (2016) and Ernawati *et al*., (2019) found that company's size has no significant effect on tax avoidance.

Big or small size of the company can affect the profit gained and also affect company assets and company debt levels that can affect tax payment (Irianto *et al.*, 2017). Therefore, the researcher conducted this study to find out the relation between company size and tax avoidance.

LITERATURE REVIEW

Legitimacy theory

According to legitimacy theory, an organization is characterized by its ability to participate in and monitor the legitimacy process to demonstrate its compatibility with societal values (Laguir *et al*., 2015). Legitimacy theory also a social contract that occurs in the society where companies that operate close to the community's living environment can utilize natural resources according to their place (Kusumawardhani *et al.*, 2019). This theory explains about the reciprocal relationship between the company and the society around it. The company should give the compensation to the society in the form of CSR for using the resources and the society is expected to give positive feedback to the company.

Legitimacy considered as the way to preserve the going concern of the company that can be achieved by doing the organizational actions in accordance with the rules and widely accepted by society (O'Donovan, 2002). However, the companies have the tendencies to using environmental-based performance and CSR disclosure solely to obtain the legitimacy from the society for the company activity carried on (Ghozali & Chariri, 2007).

Agency theory

Agency theory is a concept of manager-stakeholder contract relationship (Jensen and Meckling, 1976; Lindawati & Puspita, 2015). The manager is the agent and the shareholder is the principal. The agency problem arises when the agent and the principal want to prioritize their own benefit. The manager as the agent prioritizes the fulfillments of his personal goals compared to the company's goals (Gitman, 2009). While the shareholder as the principal on

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the other hands wants the big return of their investments. This condition also known as conflict of interest.

In order to achieve their personal goals, the manager takes actions to regulate profits and company performances that can harm the principle. Based on agency theory, the agent can utilize the company's resources to maximize their work compensations by minimizing the amount of tax expenses and maximizing the company performances. This action can be done because the manager knows the detail information of the company rather than the shareholders, it is called asymmetric information. Thus, the manager takes advantage of this condition, also known as opportunistic behavior (Rahmawati *et al.*, 2015).

When the manager of the company has the opportunistic behavior, the manager has the tendency to do the tax avoidance from the less aggressive to more aggressive (Anis, 2017). Tax avoidance activities is categorized as an act socially irresponsible to the society (Lanis & Richardson, 2012).

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is the company's pledge to engage actively in sustainable economic growth with a view to improving the quality of life and the climate that benefits the organization, society and local community is the definition of CSR according to the UU No. 43 Year 2007. Meanwhile, UU No. 25 year 2007 defines CSR as the inherent responsibility in every limited liability company to establish continuous relationships that are harmonious, balanced, and in accordance with local community's environment, values, norms and culture.

Although as found in Rakia, Kachouri, and Jarboui (2023), when women are on board, the increase of CSR diminish tax avoidance, but the company should carry out social responsibility by reporting its CSR activity as a proof that the company is truly doing the CSR. This statement is supported by legitimacy theory that state the company keeps on trying to convince the society if they do the business activity in accordance with the value and norms applied in the society to be accepted within the community (Jessica & Toly, 2014). Therefore, it can be concluded that CSR is the company's commitment to improve life quality of its employees, society and local community as the contribution to sustainable economic development which is reflected through good business practices.

Economic dimension of CSR

CSR in economic dimension is affecting the achievement of company's finances. Most of the companies are profit oriented and stake the company's business in hand of customers, investors and other stakeholders (Slavic, 2015).

Hence, for the benefit of the society and environment, the company and local community should be able to work together by having a mutualism relationship. The company must fulfill its economic responsibilities such as promotions of the product or service, obtain maximum profit, gain customer's loyalty and satisfaction, and achieve a good place in the market so that the going concern of the company keep maintained (Arsić *et al.*, 2017). Those responsibilities cannot be achieved without the support of the local community, then the company should give the worth retribution for the society in the form of CSR.

CSR in economic dimension is the manner in which businesses deal with issues that may occur in their relationships with consumers, suppliers and shareholders (Laguir *et al.*, 2015). In addition, the economic dimension takes shared value into account by designing innovative products, services and business models resulting in higher product quality and more productive work.

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Social dimension of CSR

CSR in social dimension acknowledged the health, safety and general welfare of employees; empowered the workforce by providing incentives for training and development; and encouraged companies to act as good citizens in the local community (European Commission, 2003). This dimension also involves making formal social dialogue to consider the interests of stakeholders in the decision making process (Bansal, 2005). CSR in social dimension is become the key factor in building the connection between the company and the society. The company socially responsible to benefit the society as a whole and integrate social concern through its business activities, for instance, pays the employees a livable wage and conduct the charity event from the company's resources (Nasrullah & Rahim, 2014).

Size of the company

Company size is the scale to determine whether the company is classified as a large or small business (Saifudin & Yunanda, 2016). The company size can be seen from various indicators such as market value of share, the average of sales rate, sales amount and total asset. Company size that seen from the total assets that can be utilized for operational activities of the company with proxy total asset logarithm has a high level of stability compared to other proxy and has continuity between periods (Jogiyanto, 2007). Higher total assets indicate higher productivity of the company, so the profit will also be affected. The bigger profit that company obtained will automatically increase the tax burden.

Tax avoidance

Tax avoidance can be defined as tax planning activity in a company to reduce the effective tax rate (Hlaing, 2012). It is the part of tax management in tax planning, which is included as a legal action in an attempt to minimize taxes that should be paid by the company. Major transactions that are often done to do tax avoidance is effectively increase tax deduction (interest, tax loss, R&D fund) that can be used by the company to balance the amount of income, thereby, the income tax and the amount of tax burden are lower than it is supposed to (Jessica & Toly, 2014). Yunistiyani and Tahar (2017) said that to the company, tax is a burden that can reduce the profit of the company, therefore the company will try to minimize that tax burden by doing the tax planning efforts through tax avoidance activities.

Tax avoidance is considered as a legal action because mostly, the companies that doing the tax avoidance activity take advantage of the taxation's loopholes in the regulation applied. Many researches find there are many factors that can influence tax avoidance activities; Corporate Social Responsibility is one of them. Several CSR items that are considered as deductible expense in tax calculation: charges of waste treatment, environmental conservation charges, community health services, scholarships, educational contributions, etc. (Nurul Hidayati, 2017).

Hypothesis Development

Maraya and Yendrawati (2016) found in their research that the higher number of index in Corporate Social Responsibility disclosed by a company indicates the higher tax avoidance activities, this is included three aspects of CSR: economic, environmental and social. When the tax officer considered a company does the tax avoidance aggressively, the company will react as stated in legitimacy theory (Downling & Pfeffer, 1979), disclosing the additional information of CSR to gain the trust (Lanis & Richardson, 2013). Sikka (2010) in Zeng (2018) examines several companies with high reputation such as Wal-mart, KPMG, Worldcom and Enron and highlight the company's claims about their corporate social responsibility and tax avoidance activity. The finding indicates the information stated in their CSR disclosure or sustainability report from every aspect has been used to cover their tax avoidance practices. The hypothesis formulation for the CSR economic and social dimensions are:

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H_1: CSR in economic dimension has positive impact towards tax avoidance.

H_2: CSR in social dimension has positive impact towards tax avoidance.

Kurniasih and Sari (2013) stated that the bigger size of the company has lower tax effective rate (ETR), because big companies tend to have high and stable profit than small companies. When the company generates big profit, the tax burden also increases. The high tax burden encourages the company to do the tax avoidance (Dewinta & Setiawan, 2016). Based on agency theory, the agent can utilize the company's resources to maximize the agent's compensation by reduce the company's tax burden and maximize the company performances. From the literatures explained above, the hypothesis for the company size is:

H_3: Size of the company has positive impact towards tax avoidance.

Research Framework

Based on the theories, literature review and the hypotheses formulation above, the research framework for this research is projected in the Figure 2 below:

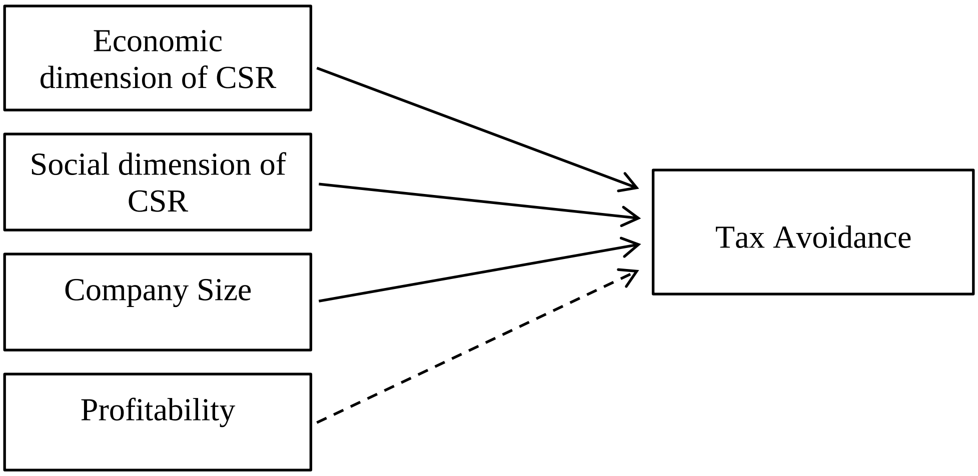

Figure 2. Research Framework

RESEARCH METHOD

In order to gain the result of the hypotheses, there are several steps of tests and analyses. First, the author collects the data from Indonesia Stock Exchange website and chose the companies that match the criteria that have been set by the author using the purposive sampling method. Then, the data is processed based on the proxy from each variable. The dependent variable tax avoidance used proxy effective tax rate (ETR). Independent variables economic and social dimension of CSR used GRI-G4 indicator and size of the company variable used the log total assets proxy to determine the size. The control variable profitability used return on assets (ROA) proxy. After obtained the number from each variable, several tests and analysis are run: statistic descriptive analysis, Hausman test, classical assumption test; normality test and multicollinearity test, also partial t-test for hypothesis test.

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Data and sampling

The population used in this research is the manufacturing companies sector Basic Industries and Chemical and Consumer Goods Industry listed in the Indonesia stock exchange (IDX) for pre-covid-19 period from 2014 to 2018 using purposive sampling method. This is important to search because it is found that tax avoidance from these sectors is higher than other like property, real estate, and building construction sector (Widyasari et al., 2021). The sampling on manufacturing companies is based on the following reasons: manufacturing company has a big contribution to national's tax revenue besides the other sector of industries, basic industry and chemical and consumer goods industry are the sectors that have basic elements that are often used in daily activities and manufacturing company several times has included in the list of audits that become the focus of Directorate General of Taxation (Dharma & Noviari, 2017). On the other words, manufacturing companies have a big impact towards society and the country. Table 3 shows the list of the companies used for the sample of this research.

Table 3. List of companies

Code	Company Name
ASII	Astra International Tbk
CEKA	PT Wilmar Cahaya Indonesia Tbk.
CPIN	Charoen Pokphand Indonesia Tbk
INTP	Indocement Tunggal Prakarsa Tbk
JPFA	JAPFA Comfeed Indonesia Tbk
SIDO	PT Industri Jamu dan Farmasi Sido Muncul Tbk
SMGR	Semen Indonesia (Persero) Tbk
TPIA	PT Chandra Asri Petrochemical Tbk
TOTO	Surya Toto Indonesia Tbk
UNVR	Unilever Indonesia Tbk

Source: idx.co.id

The criteria used for the sampling are:

1) The company that reports the financial statements for consecutive year 2014 – 2018.
2) The company that is not suffers from the loss to calculate the ETR.
3) The company that discloses their sustainability report separately from their annual report at least once during pre-covid 19 (2014 – 2018).

Research data analysis technique of this study is using multiple regression analysis (MRA). Analysis phases carried out are descriptive statistic, classic assumption test, multiple regression analysis, and hypotheses testing.

Variables and measurement

Dependent variable

The dependent variable of this research is tax avoidance. The proxy used to measure the dependent variable is Effective Tax Rate (ETR), with the formula as follow:

$$ETR = \frac{tax\ burden}{earning\ before\ tax}$$

ETR projects the total percentage of income tax burden paid by the company of the whole income before tax earned by the company (Yoehana, 2013 in Dharma & Noviari, 2017). The higher the ETR means the company has high tax compliance that indicates lower tax avoidance. While lower ETR indicated the company performs low tax compliance and high tax avoidance.

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Independent variable

Independent variables of this research are two aspects of CSR: economic and social dimensions. Economic score and social score separately analyzed into several individual model or together into one model. Corporate social responsibility dimensions calculated with the indicators based on GRI-G4. There are 9 indicators for economic dimension and 48 indicators for social dimension that can be calculated with the following formula:

$$CSReco = \frac{\sum Ei}{Ni}$$

CSReco : economic dimension of CSR index
$\sum Ei$: score 1 = if item Ei disclosed; 0 = not disclosed
Ni : total item ($Ni \leq 9$)

$$CSRsoc = \frac{\sum Si}{Ni}$$

CSRsoc : social dimension of CSR index
$\sum Si$: score 1 = if item Si disclosed; 0 = not disclosed
Ni : total item ($Ni \leq 48$)

Lanis and Richardson (2007) stated in their research that big companies have the tendency to avoid tax compared to small companies because the big company wants more profit and political power than small company and capable to reduce the tax burden. Gupta and Newberry (1997) in Anis (2017) stated the size of the company have the impact towards tax aggressiveness or tax avoidance, unfortunately, the impact is inconsistent in various country so that the prediction of the direction of influence cannot be ascertained. Size of company can be calculated with the formula:

$$Size = Ln\ total\ asset$$

Control variable

Profitability is the final result of the entire policies and decisions made by business organization management (Wakid *et al.,* 2012). The company will become eager to do tax avoidance along with the higher profitability that it obtains. Profit is the tax object, then the higher profit, the higher tax burden of the company (Devi & Dewi, 2019). Therefore, if the profitability made by the company is high, the tendency of the company to do tax avoidance also increases. The profitability is measured by using Return on Asset (ROA) proxy with the following formula (Horne & Wachowicz, 2010):

$$ROA = \frac{net\ profit\ after\ tax}{total\ asset}$$

Data Analysis

Descriptive statistic is used to give the description about the sample data that can be seen from minimum value, maximum value, mean and standard deviation for each variable. The panel data regression analysis can be described by the following equation:

$$Y_{i,t} = \alpha + \beta_1 X_{1_{i,t}} + \beta_2 X_{2_{i,t}} + \beta_3 X_{3_{i,t}} + \beta_4 X_{4_{i,t}} + \varepsilon_{i,t}$$

$Y_{i,t}$: Tax avoidance
α : Constant

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$\beta_1 - \beta_4$: Regression coefficient
X_1 : Economic CSR
X_2 : Social CSR
X_3 : Company size
X_4 : Profitability
ε : Error term

Regression Estimation Model

There are options of estimation model that can be used for this research, the fixed effect model also known as Least Square Dummy Variables (LSDV) is the model that assumes the intercepts are differ from every subject while the slope remains the same between subjects. Dummy variable is used to differ between one subject to another. Besides, random effect model estimates panel data that residual variables expected to have relationship between time and subjects. This analysis model can be used if one condition is fulfill: the number of cross section must be greater than the number of research variables. Elsewhere, common effect model can be applied using ordinary least square (OLS). We test the one appropriate for this research and try to fulfill the assumptions necessary accordingly.

RESULT ANALYSIS AND DISCUSSION

Descriptive Statistic Analysis

Table 4 below shows the minimum and maximum value, standard deviation and mean for tax avoidance, economic CSR, social CSR, company size and profitability variable. The result of statistic descriptive analysis for this research is as follow:

Table 4. Descriptive Statistic Analysis

	N	Mean	Std. Dev.	Min.	Max.
ETR	50	.240	.070	.066	.52
CSRECO	50	.344	.154	.111	.666
CSRSOC	50	.195	.079	.083	.333
SIZE	50	29.4	3.03	21.34	33.47
ROA	50	.128	.103	.009	.466

Source: data processed

Tax avoidance which is using the ETR proxy on manufacturing company sector consumer goods industry and basic industry and chemical listed in IDX for period 2014-2018 has mean 0.24 and standard deviation 0.07. The numbers indicates that the average level of tax avoidance that is proxied by effective tax rate (ETR) in the sample of companies is 0.24 and there is a deviation of the ETR value of 0.07 to the mean value. The company with the smallest ETR is Indocement Tunggal Prakarsa, Tbk in 2016 with 0.066. The company with highest ETR is PT Chandra Asri Petrochemical Tbk in 2015 with 0.52.

Independent variable economic dimension of CSR has mean 0.344 and standard deviation 0.154. It means the average of CSR disclosure in economic dimension in the sample of companies is 0.344 and there is a deviation in the value of CSR economic disclosure 0.154 against the mean value. The company with lowest economic CSR value is Indocement Tunggal Prakarsa with 0.111 and the highest is PT Wilmar Cahaya Indonesia, Tbk with 0.666.

The mean of social dimension of CSR is 0.195 with standard deviation 0.079. The number shows that the average of CSR disclosure in social dimension in the companies sample is 0.195

and there is a deviation of 0.079 in the value of CSR social against its mean value. The lowest social dimension of CSR value with 0.083 is Indocement Tunggal Prakarsa. The highest value of CSR in social dimension with 0.333 is JAPFA Comfeed Indonesia, Tbk. Size of the company as independent variable has mean 29.4 and standard deviation 3.03. Astra International Tbk has the highest value of company size with 33.47 and PT Chandra Asri Petrochemical has the lowest value of company size with 21.34.

Control variable profitability that proxied with ROA has mean 0.128 and standard deviation 0.103. It indicates the profitability average in the sample companies is 0.128 and there is a deviation of ROA value 0.103 to its mean value. The company that has the highest value of ROA is Unilever Indonesia, Tbk with 0.466 and the company with the lowest value is PT Chandra Asri Petrochemical with 0.009.

Regression estimation model

Panel data can be done with three models: common effect or pooled least squared (PLS), Fixed Effect and Random Effect. Each model has its own advantage and disadvantage for the research. However, in this research PLS is not counted for the panel data regression model selection because this model combines the cross-sectional data section and time series as one without regard to time and entity differences or in the other words, this model has bias estimated.

Model selection depends on the assumption that used by the researcher and the fulfillment of statistic data processing conditions so that can be statistically accountable. Basically, there are three types of tests that can be run to select the best regression model: Chow test, Hausman test and Lagrange Multiplier test. Chow test is used to choose the best model between PLS and fixed effect, while Lagrange multiplier test is used to choose the best model between PLS and random effect. After testing all, the one appropriate is from the Hausman test for random effect model.

Table 5. Hausman Test

	coefficients			
	(b)	(B)	(b-B)	sqrt(diag(V_b-V_B))
	Fe	re	difference	S.E.
SIZE	-.030	-.007	-.023	.071
ROA	-.503	-.088	-.415	.211

Source: data processed

chi2(2) = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 4.19
Prob>chi2 = 0.1228

From the result, it can be concluded that 0.1228 > 0.05 then H0 is fail to be rejected, so the best panel data regression model for this research is RE model. Since random effect is selected, the heteroscedasticity test and autocorrelation test are not needed to be performed in classical assumption test.

Classical Assumption Test

By using the random effect model for the panel data regression, then the further tests are needed to check whether the model deviates from the classical assumption or not. So, the classical assumption tests performed for the random effect model are as follow:

Normality test

The normality test is used to know whether the residual value has normal or abnormal distribution. To perform this normality test, the residual variable from the variables observed in the research must be calculated first. When the residual variable value is obtained, the normality test using Skewness and Kurtosis significance method is run. The hypotheses for the normality test are:

H_0 : normal residual distribution.

Ha : abnormal residual distribution.

If (Prob > chi2) > α, then H_0 is accepted and if (Prob > chi2) < α, then H_0 is rejected. The result of normality test is as follow:

Table 6. Skewness-Kurtois Normality Test

variable	Obs	Pr(Skewness)	Pr(Kurtosis)	Chi2 (2)	Prob>chi2
residual	50	0.2270	0.1713	3.33	0.1891

Source: Data processed

The result of normality presented in Table 6 shows that the value of (Prob > chi2) is 0.1891 > 0.05 which means H_0 is accepted and H_a is rejected. It indicates that the residual value of the regression model has normal distribution.

Multicollinearity test

Multicollinearity can be interpreted as a condition where one or more independent variables have collinear relation with the other variables. The purpose is to know if there is correlation between IV. If there is a correlation, then there is a multicollinearity problem in the regression model. Variance Influence Factor (VIF) is calculated to detect the multicollinearity and the result is presented in Table 7. The hypotheses for the multicollinearity test are:

H_0 : no multicollinearity.

H_a : with multicollinearity.

If VIF < 10, then H_0 is accepted and if VIF > 10, then H_0 is rejected. The result of multicollinearity test is projected in the Table 7 below:

Table 7. Multicollinearity test

Variable	VIF	1/VIF
CSRECO	1.85	0.540
CSRSOC	1.61	0.621
SIZE	1.23	0.814
ROA	1.17	0.855
Mean VIF	1.46	

Source: data processed

From the table above, can be seen that the VIF value for each independent variable is less than 10 so, that means there is no multicollinearity between independent variables and H_0 is accepted. This test result indicates that analyzed data fulfill the multicollinearity assumption.

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Hypothesis testing

The result of regression test is shown in Table 4.4 below:

Table 8. Regression result

ETR	Coef.	t	P>|t|
CSRECO	-.084	-1.05	0.298
CSRSOC	.328	2.26	0.029**
ROA	-.088	-0.93	0.357
SIZE	-.007	-2.33	0.024**
Cons	.444	3.98	0.000***

Source: data processed; (*) significant at 10%, (**) at 5%, and (***) at 1% level.

Based on Table 8, economic dimension of CSR has p-value 0.298 > 0.05. That means there is no significant relation between independent variable economic dimension of CSR and tax avoidance so that, H_1 is not supported. The social dimension of CSR has p-value 0.029 < 0.05. The value indicates there is a significant impact of social dimension of CSR towards ETR. The result is significant positive, therefore H_2 is not supported. The higher social dimension of CSR means the lower tax avoidance activity in the company.

Size of the company has significance value or p-value 0.024 < 0.05 which means there is a significant impact of company size towards ETR. The result indicates the significant negative, therefore H_3 is supported. The company's size has unidirectional relation with tax avoidance. The bigger size of the company means tax avoidance practice is higher because the company with larger profit has tendencies to minimize its tax burden. The control variable profitability with ROA proxy has significance value of p-value 0.357 > 0.05. The number indicates there is no significant impact of profitability towards tax avoidance.

Analysis and discussion

The relation between economic dimension of CSR and tax avoidance

The result from table 4.4 shows that p-value for economic dimension of CSR is 0.298 > 0.05. The value is greater than the significance value which means H_0 is rejected and H_a is accepted, there is no significant impact of economic dimension of CSR towards tax avoidance. This result is consistent with Lionita et al. (2017) that found no significant impact of CSR towards tax avoidance. From the analysis above, it can be concluded that H_1 is not supported.

On the other words, CSR economic dimension has not had much influence on tax avoidance behavior in manufacturing companies listed in IDX. This can be due to the low quality of the CSR economic dimension disclosure or there is no correlation between the qualities of CSR activities with the CSR disclosure of the company (Anis, 2017).

The relation between social dimension of CSR and tax avoidance

Social dimension of CSR has the p-value 0.029 < 0.05. The value is lower than the significant value so that H_0 is accepted while H_a is rejected. The coefficient value of CSR in social aspect is 0.328. From the values stated above, CSR in social aspect has significant positive impact towards tax avoidance. This result is in accordance with the research conducted by Dharma and Noviari (2017) and Hoi et al. (2013) that stated the higher CSR disclosures from every aspect indicates practice on tax avoidance activities, therefore H_2 supported.

The company does the CSR to gain the legitimacy from the society to its going concern (Pradipta & Supriyadi, 2015). This is corresponded to Lanis and Richardson (2011) that stated

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the company with good reputation will preserve it and do their duty and activity with the tax avoidance practice.

The relation between size of the company and tax avoidance

Based on the result stated in table 8, size of the company has the p-value and coefficient value 0.024 and -.007 simultaneously. Negative coefficient value indicates there is a contradictive direction for company size and ETR. p-value $0.024 < 0.05$ shows that H_0 is accepted while H_a is rejected which means there is a significant positive impact of company size towards tax avoidance. This result is consistent with the research conducted by Kurniasih and Sari (2013) and Dewinta and Setiawan (2016) that stated the big company has higher tax avoidance activities and H_3 is supported.

Big companies have more complex transaction than the smaller ones, it will increase the loophole and gap advantage to perform tax avoidance (Rego, 2003 in Irianto et al., 2017). Also, big companies have better tax planning and adopted effective accountancy practice to lower the tax burden of the company (Rodriguez & Arias, 2012).

CONCLUSION

Conclusion

We found CSR in economic dimension has less or no influence on tax avoidance behavior in manufacturing companies listed in IDX as its allocation for the company's spending is not significant to reduce the tax shield. Besides, social dimension of CSR indicates significant positive impact towards tax avoidance activities. The higher CSR disclosure of social dimension done by the company indicates the higher tax avoidance practices in manufacturing companies listed in IDX. It is due to the social dimension magnitude to control the firm's policy on social welfare as tax is the main source. Finally, the size of the company has significant positive impact towards tax avoidance practices. Thus, the big companies will have the higher tax avoidance activity because they are willing to maintain its good reputation.

Limitations and suggestions

The researcher only focuses on data pre-covid 19 thus, data are limited on that time only. The sample of data used in this research is only taken from the manufacturing companies sector consumer goods industry and basic industry and chemical. After adopting the criteria, the number of companies that made separate sustainability report from their annual report is limited as well. Thus, future research might take the sample from another type of companies listed in Indonesia Stock Exchange, such as finance, mining, property, etc. and can combine both period of pre, during and post covid-19. It can enlarge the data size as well to improve the result.

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