The Effect of Tax Avoidance and Earnings Management on Corporate Social Responsibility

Risma Tesya Andita[1]
Universita Islam Negeri Sunan Kalijaga Yogyakarta
Email: rismatesya83@gmail.com

Abstract

This paper aims to examine the effect of EM and TA on CSR practices in companies listed on the Indonesia Stock Exchange. In particular, this paper investigates which opportunities for EM or TA practice are greater between state-owned and non-state-owned companies. The sampling technique in this study was purposive sampling with a total of 100 samples obtained from SOE (State Owned Enterprise) and privat companies in the industrial sector. The findings of this study with a full sample show that TA has no effect on CSR. Meanwhile, EM has a significant negative effect on CSR. Next, we used a differential test between SOE and Non-SOE samples. The results of this study indicate that TA has no effect on CSR, both in SOE and non-SOE companies. Whereas for EM in Non-SOE companies it will reduce the level of CSR, but in SOE EM does not affect CSR.

Keywords**:** Tax Avoidance, Earnings Management, Corporate Social Responsibility, State-Owned Enterprise

INTRODUCTION

Over the past three decades, the fraud business practice has received a great deal of attention from corporate managers, especially because of the breach of controls over trade and capital brought about by globalization and the communications revolution (Ortas & Gallego-Álvarez, 2020). Companies in Indonesia are currently not only focused on increasing profits, but also required to carry out other responsibilities such as maintaining social and environmental welfare. This is mandatory for a company because these three elements are related to improving operational efficiency, risk management and employee involvement. One of Rakia (2021) research which is from the CSR side which can refer to the company's strategy in conducting business in an ethical manner and being able to provide benefits to society in terms of development. Thus the company can be held accountable for environmental damage and social inequality caused by the company's operational activities.

Based on Law No. 40 of 2007 concerning limited liability companies, the law states that CSR is an activity that must be accounted for by the company. Article 74 of the Company Law, CSR activities are the company's obligations in carrying out its operational activities in a field related to natural resources. Thus the company is also obliged to take into account the CSR budget as a cost used to carry out social activities. Based on the laws and regulations, there will be sanctions imposed if the company does not carry out CSR. One of the crucial issues discussed in article 74 paragraph 4 of Law no 40 of 2007 is that SOEs are pioneers in linking CSR with partnership and community development programs, this is because the government took the initiative to socialize CSR through laws and regulations and guidelines, especially for SOEs. which are under government control.

Against this background, we conducted an analysis that whether the implementation of CSR in state-owned companies guided by the government can encourage profitable companies to be responsible by being transparent in financial reporting and fulfilling tax obligations. Because if a company is involved in CSR only to cover up opportunistic behavior or just comply with government regulations, without integrating its principles into their business operations, the implemented CSR will not run effectively. Furthermore, companies related to CSR will also not limit their opportunistic behavior such as EM or TA practices. However, Liu & Lee (2019)if compliance leads to practical changes in the company's business operations by fulfilling social responsibility in financial reporting or tax planning, so companies that implement CSR are expected to limit profit management or tax evasion. Thus, it is possible that companies view CSR as a strategic tool to neutralize reputational damage due to EM or TA.

In the implementation of taxation, a difference appears in the interests of the government and the taxpayer Suandy (2008:1) in (Sunarsih et al., 2019). In reality, taxpayers always try to pay taxes with a low budget, while the government needs a lot of funds to carry out national activities, because 80% of income in the country of Indonesia is one of the sources of income from taxes, so that taxes play a very important role in the economic development of a country. Thus there are two actions that taxpayers can take in tax evasion, namely by way of legal tax avoidance *(Tax Avoidance)* and Illegal *(Tax Evasion).*

Aspects that encourage taxpayers to take these tax avoidance actions, one of which is that an entity experiences a decrease in demand for an item, so that there is a reduction in goods subject to tax while goods that are not subject to tax actually increase (Sunarsih et al., 2019). However, these tax avoidance actions certainly not only have an impact on the company's economy, but also cause harm to society and can be considered socially irresponsible (Xu et al., 2022). In addition to the economic impact on the company, tax avoidance can be seen through an ethical lens, that a company can be seen as seizing resources which results in losses for society and it is difficult to achieve goals.

Khan et al., (2022)argues that TA practices in BUM entities result in their main resource revenue. Alkurdi & Mardini, (2020)the benefits of TA behavior that benefit internal and external users of the company. First, opportunities for companies that can reduce the amount of profit before tax. TA action is an action to reduce the amount of wealth that can be distributed by the company. (Jarboui et al., 2020)Second, it has the potential to reduce shareholders' cash flow, and have an impact on investors which has an impact on increasing company value. Third, the benefits for managers will receive awards or bonuses, because there are advantages from TA practices.

TA behavior can function as a motivation for managers to take opportunistic actions such as earnings management. Amidu et al., (2019)Tax avoidance mechanisms provide space for opportunistic managers to pursue goals that are self-interested and self-beneficial by managing profits that are not profitable for shareholders. Thus, managers will protect themselves by avoiding more taxes, because avoidance gives them some protection from shareholder scrutiny. Studies on earnings management have stated that tools such as changes in accounting procedures, profit maximization and income smoothing are the main instruments used by managers in managing earnings (Halil 1985 in (Arianti, 2022).

Muhfiatun et al., (2022) EM practice by manipulating accounting aims to create a reasonable public opinion in order to increase the company's value in the capital market. Management also does this to get bonuses. Another motivation is to lower taxes. EM practices will lead to asymmetry in accounting reports, which can have an impact on the failure of investors in analyzing company performance in the future. CSR exists as a counterbalance to these practices, in order to create accountable and transparent business processes.

The link between EM and TA on CSR is seen from two different perspectives. First, companies that perform CSR well tend to have a high level of transparency to avoid EM and TA practices. The company fulfills the ethical aspects desired by stakeholders thereby reducing information asymmetry. Second, CSR is used as a tool by managers in carrying out EM and TA actions to disguise their personal goals. In other words, EM and TA are used as a way for managers to gain personal benefits by utilizing CSR carried out by the company.

Of the several phenomena presented, the purpose of this study was to examine the effect of CSR on TA and EM in Indonesia using a sample of 120 observations of annual reports of companies registered in Indonesia for the 2016-2021 period. In addition, we investigate further whether the effect of CSR on TA and EM is different from state-owned companies and private companies (non-SOE), therefore we divide our sample into two sub-groups of SOE and non-SOE. SOEs, as the main actors in CSR, are expected to be more active in participating in CSR and fulfilling their social responsibilities, under the control and supervision of the government, compared to non-SOEs, which are under less pressure from the government. Based on research (Liu & Lee, 2019) conducted in China that a negative relationship between CSR and tax evasion is more likely to occur in SOE than non-SOE.

LITERATURE REVIEW

Corporate Social Responsibility and Tax Avoidance

In agency theory, it is explained how the relationship between management companies (agents) and shareholders are described. There is an emergence of agency problems due to differences in interests between shareholders and managers. Shareholders as providers of funds hope to get the maximum profit from their investment, while management who is responsible for managing the company wants to get high financial compensation. The existence of agency theory encourages agents to increase company profits. When profits increase, there will be an increase in income taxes according to the increase in corporate profits (Lestari & Solikhah, 2019).

According to legitimacy theory, companies always try to gain positive recognition from the public in order to build a good image (Amalia, 2019). The obligation of companies to society drives them to behave ethically according to the norms and values of the systems in which they operate. As a result, companies that carry out corporate social responsibility (CSR) tend not to engage in tax avoidance practices that are considered unethical and irresponsible. This is reinforced by several studies showing that the higher a company's CSR performance, the less likely there will be TA (Zoebar & Miftah, 2020;Riza et al., 2017). Based on this description, a hypothesis is formulated, namely:

H1a. Tax Avoidance negatively effect on Corporate Social Responsibility

Furthermore, we assume that the relationship between CSR performance and the level of tax avoidance will depend on the type of corporate ownership structure in Indonesia. In this country the main driver of CSR is the government, where companies tend to engage in CSR activities in response to national policies or regulations rather than voluntarily exhibiting responsible behavior. Government Regulation Number 93 of 2010, although corporate social responsibility (CSR) is allowed as a tax deduction factor, companies generally do not use it as an excuse for tax evasion. Although companies are still required to pay taxes after implementing CSR, state-owned enterprises (SOE) have shown full compliance with their tax obligations. It is assumed that the company is under the control and supervision of the government after implementing CSR, the practice of tax avoidance in SOE and non-SOE companies is different. So the hypothesis is formulated:

H1b. Relationship between Tax Avoidance and Corporate Social Responsibility in SOE companies in Indonesia are different from non-SOE

Corporate Social Responsibility and Earnings Management

The theory used in the relationship between CSR and earnings management is agency theory. Where company managers act to maximize shareholder profits. Managers can also use other strategies to maximize company profits, namely by implementing earnings management. Earnings management is a financial management practice that attempts to change a company's financial statements to influence investor perceptions, overcome credit limits, or create some other impact on a company's market value (Adiasih & Kusuma, 2011).

From an ethical perspective, companies that carry out CSR are expected to limit EM because they are considered contrary to CSR activities which emphasize the need for ethical business practices to benefit society. According to traditional ethical theory, CSR is defined as actions taken by companies to contribute to the welfare and interests of society through business practices that adhere to ethical values. (Carroll, 1979; Donaldson and Preston, 1995; Jones, 1995; Phillips et al., 2003) in research (Liu & Lee, 2019a). Therefore, if CSR companies engage in activities that fulfill CSR's ethical obligations for the benefit of society and stakeholders, they will refrain from EM and provide government financial reports that are clear and reliable in order to facilitate stakeholders in making decisions and allocating resources. efficient. In this case, we can expect a negative relationship between CSR performance and earnings management level .Zhang et al., (2021) shows that there is a negative correlation between EM and CSR. Based on the description above, a hypothesis is formulated, namely:

H2a. Earnings Management has a negative effect on Corporate Social Responsibility Performance

SOE companies in Indonesia as public companies that are responsible to the state and society, are expected to carry out greater CSR compared to non-SOE companies. Therefore, state-owned companies have a stronger tendency to carry out CSR sincerely, due to strict supervision from the government and society.

Despite having a high level of social responsibility, state-owned companies remain vulnerable to earnings management practices. This is due to pressure from the government and the market to provide positive financial reports. In addition, investors' demands for higher yields can also make management practice earnings management.

Meanwhile, non-SOE companies have more freedom to carry out earnings management without much legal risk. This is because they do not have strict supervision like SOE and there is no direct interest from the government and society. So the hypothesis is formulated:

H2b. The relationship between Earnings Management and Corporate Social Responsibility of SOE companies in Indonesia is different from non-SOE

METHODOLOGY

Data Sources and Types

Source of data used in this research is secondary data. The data used comes from the Annual Report of each company. The type of data used in this study is panel data, which is a combination of time series and cross-sectional data. In this case, data will be taken from several state-owned and non-state-owned industrial companies listed on the IDX for the period 2017 to 2021.

Population and Sample

The population used in this study came from industrial companies listed on the Indonesia Stock Exchange. The sample used in this study amounted to 100 selected using a purposive technique, namely by means of convenience sampling, namely sampling based on the wishes of the researchers in accordance with the research objectives, one of which we took a sample of companies that have good CSR performance and have received awards from the government as a prestigious form of appreciation and recognition given by TRAS N CO Indonesia, in collaboration with INFOBRAND.ID, for the dedication of companies in Indonesia in organizing CSR actions as a sense of corporate social and environmental responsibility based on aspects of the CSR Concept, CSR Impact assessment. & CSR Donation Value.

Dependent Variable

The dependent variable in this study is CSR. In research(Rahardjo & Mangoting, 2019) CSR is measured using the GRI G.4 Index compiled by GRI. Our research wants to develop a CSR performance disclosure index based on the SJOK index to measure a composite CSR performance score. In fact, a content analysis method is used in which a company's annual report is examined, and the extent to which CSR information is disclosed is then modified into predetermined categories. Information items are considered CSR disclosures. *Dummy variables* are used in CSR measurements with conditions. given a value of 1, when expressing. And 0, if it is not disclosed it will be given a value of 0 (Haniffa, 2005). The formula for calculating CSR is as follows:

$$CSRD_1 = \frac{\sum X_i}{n}$$

Where:

$CSRD_i = CSR\ disclosure\ at\ year\ i$

$\sum X_i$= Number of items disclosed by the company in year i

n = indicators item

Independent Variable

1) Tax Avoidance

Ceteris paribus, the higher the Effective Tax Rate (ETR) value, the lower the TA level and vice versa. Based on research conducted (Alsaadi, 2020)Tax Avoidance is measured using the ETR equation. The formula for calculating ETR is as follows:

$$\boldsymbol{ETR = \frac{Current\ Income\ Tax\ Expense}{Profit\ before\ tax}}$$

2) Earnings Management

According to EM, it is the (Scott, 2003) *opportunistic* behavior of managers by reporting profits to maximize personal or company interests by using accounting method policies. The EM variable in this study is proxied by discretionary accruals using the Jones model which is modified with the following stages:

$$TAC_{it} = N_{it} - CFO_{it} \quad (1)$$

Where:

TAC_{it}	: Total accruals of company i in period t
N_{it}	: Net profit of company i in period t
CFO_{it}	: Cash flow from operating activities of company i in period t

$$\frac{TAC_{it}}{A_{it-1}} = \beta_1\left(\frac{1}{A_{it-1}}\right) + \beta_2\left(\left(\frac{REV_{it} - REV_{it-1}}{A_{it-1}}\right)\right) + \beta_3\left(\frac{PPE_{it}}{A_{it-1}}\right) \quad (2)$$

Where:

TAC_{it}	: *Total accruals* of company i in period t
A_{it-1}	: Total assets of company i in period t-1
REV_{it}	: Company revenue i year t
REV_{it-1}	: Company revenue i year t-1
PPE_{it}	: Total fixed assets of company i in year t
β_{1-3}	: Regression coefficient

$$NDA_{it} = \beta_1\left(\frac{1}{A_{it-1}}\right) + \beta_2([REV_{it} - REV_{it-1}]\ -\ [REC_{it} - REC_{it-1}])/A_{it-1}) + \beta_3\left(\frac{PPE_{it}}{A_{it-1}}\right) \quad (3)$$

Where:

NDA_{it}	: *Non-Discretionary Accruals* of company i in period t
A_{it-1}	: Total assets of company i in period t-1
REV_{it}	: Company revenue i year t
REV_{it-1}	: Company revenue i year t-1
REC_{it}	: Receivables of company i in year t

REC_{it-1} : Receivables of company i in year t-1

PPE_{it} : Total fixed assets of company i in year t

β_{1-3} : Regression coefficient

$$DA_{it} = \left(\frac{TAC_{it}}{A_{it-1}}\right) - NDA_{it} \quad (4)$$

Where:

DA_{it} : *Discretionary Accruals* of company i in year t

TAC_{it} : *Total accruals* of company i in period t

A_{it-1} : Total assets of company i in period t-1

NDA_{it} : *Non-Discretionary Accruals* of company i in period t

The analytical method used in this study is the panel regression method through descriptive statistical testing, and the classical assumption test, hypothesis testing through the coefficient of determination test, F test and t test, as well as different tests. The data in this study is panel data, so the processing uses the Eviews 12 statistical tool and SPSS Statistics 26

RESULTS AND DISCUSSION

Descriptive statistics

Tabel 1 Hasil Statistik Deskriptif

	CSR	TA	EM
Mean	0.613800	0.142983	8.22E-05
Median	0.580000	0.228445	2.85E-05
Maximum	0.880000	2.908785	0.003765
Minimum	0.440000	-5.282502	-0.004790
Std. Dev.	0.102954	0.777946	0.001070
Skewness	0.737212	-2.706945	-1.028591
Kurtosis	2.829549	27.23007	10.45594
Jarque-Bera	9.179077	2568.361	249.2625
Probability	0.010158	0.000000	0.000000
Sum	61.38000	14.29833	0.008223
Sum Sq. Dev.	1.049356	59.91479	0.000113
Observations	100	100	100

Source: Secondary data processed with eviews 12

Results from table 1 can be known that the mean value of CSR in 20 state-owned & non-state-owned companies for 5 years was 0.6138, with a median value of 0.58; maximum value of 0.88; and a minimum value of 0.44. The results from table 1 can be known that the mean value of TA in 20 SOE & NON SOE companies for 5 years was 0.142, with a median value of 0.228; maximum value of 2.908; and the minimum value is -5.282. The results from table 1 can be known that the mean value of EM in 20 SOE & NON SOE companies for 5 years was 8.22, with a median value of 2.85; the maximum value is 0.003 and the minimum value is -0.004.

Model selection test

Chow test

Tabel 2 Hasil Uji Chow

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.180309	(19,78)	0.0088
Cross-section Chi-square	42.598709	19	0.0015

Source: Secondary data processed with eviews 12

Based on Table 2, the probability value of Cross Section Chi Square of 0.00 15 < 0.05. Thus the results of the chow test in this study chose the *Fixed Effect (FE)* method as the appropriate regression model rather than *the Pooled Least Square* (PLS) / *Common Effect* , because the probability value of *the Cross-section Chi - square* is smaller than at a significant level .

Hausman test

Tabel 3 Hasil Uji Hausman

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.569711	2	0.7521

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
TA	0.005145	-0.000226	0.000051	0.4519
EM	-21.135417	-21.511713	5.754822	0.8754

Source: Secondary data processed with eviews 12

Based on Table 3 the random Cross Section probability value is 0.7521 < 0.05. Thus, from the results of the Hausman test , this study chose *the Random Effect Model* as the appropriate regression model, because the Probability value of *Cross-section Random* greater than the significant level .

Legrange Multiplier Test

Tabel 4 Hasil Uji Legrange Multiplier

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	6.428038 (0.0112)	86.44118 (0.0000)	92.86922 (0.0000)
Honda	2.535358 (0.0056)	9.297375 (0.0000)	8.367005 (0.0000)
King-Wu	2.535358 (0.0056)	9.297375 (0.0000)	9.507639 (0.0000)
Standardized Honda	2.776167 (0.0028)	10.68230 (0.0000)	5.682545 (0.0000)
Standardized King-Wu	2.776167 (0.0028)	10.68230 (0.0000)	7.888003 (0.0000)
Gourieroux, et al.	--	--	92.86922 (0.0000)

Source: Secondary data processed with eviews 12

Based on table 4, the probability value of Cross Section is 0.0112 < 0.05. Thus from the results The Legrange Multiplier test in this study chose *the Random Effect Model* as the correct regression model, because the probability value of *the cross-section* is smaller than the significant level.

Classic assumption test

Multicollinearity Test s

Tabel 5 Hasil Uji Multikolinearitas

	TA	EM
TA	1.000000	-0.105496
EM	-0.105496	1.000000

Source: Secondary data processed with eviews 12

The results from table 5 show that there is almost no high correlation value between the independent variables, so it can be concluded that there is almost no multicollinearity between the independent variables.

Heteroscedasticity Test

Tabel 6 Hasil Uji Heteroskedastisitas

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.082669	0.008343	9.909206	0.0000
TA	-0.005508	0.007777	-0.708202	0.4805
EM	-8.357987	5.155835	-1.621073	0.1082

Source: Secondary data processed with eviews 12

The results from table 6 can be stated that the sig value of the *Tax Avoidance variable* (X1) is 0.48 while the *Earnings Management variable* (X2) is 0.10. From these results it can be concluded that the variable *Tax Avoidance* and *Earning Management* does not show symptoms of heteroscedasticity because the value of the two variables in this study is greater than 0.05.

Hypothesis testing

Tabel 7 Hasil Uji Hipotesis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.615601	0.014240	43.23167	0.0000
TA	-0.000226	0.013526	-0.016699	0.9867
EM	-21.51171	9.000100	-2.390164	0.0188
Effects Specification				
			S.D.	Rho
Cross-section random			0.047900	0.2157
Idiosyncratic random			0.091327	0.7843
Weighted Statistics				
R-squared	0.057113	Mean dependent var		0.398247
Adjusted R-squared	0.037672	S.D. dependent var		0.092409
S.E. of regression	0.090652	Sum squared resid		0.797118
F-statistic	2.937769	Durbin-Watson stat		0.935963
Prob(F-statistic)	0.057715			
Unweighted Statistics				
R-squared	0.049639	Mean dependent var		0.613800
Sum squared resid	0.997267	Durbin-Watson stat		0.748117

Source: Secondary data processed with eviews 12

Determination Coefficient Test (R2)

Based on table 7 it can be seen that the value of R Squared is of 0.037672 x 100 = 3.77%. Where the coefficient of determination is more than 1 which means it is high enough so that the independent variable provides almost all the information needed to predict the variation of the dependent variable.

F Test (Simultaneous)

The results from table 7 stated that the calculated F value was 2.937769 <F table 3.090186675 and sig. 0.057715 > 0.05, then H0 is accepted and Ha is rejected, meaning that the TA and EM variables have no effect on CSR. Simultaneously CSR has no significant effect.

t test (Partial)

Based on table 7 that variable X1 obtained t value of 0.016699 < t table, namely 1.984467455 and a significant value of 0.9867 > 0.05 , then Ha is rejected and H0 is accepted , which means that the *Tax Avoidance variable* (X1) has no effect on *Corporate Social Responsibility* (Y). Meanwhile, for the variable X2, the t count value is 2.390164 > t table 1.984467455 and the significant value is 0.0188 < 0.05 , then H0 is rejected and HA is accepted, meaning that the Earnings *Management* variable (X2) has a significant negative effect on *Corporate Social Responsibility* (Y).

Difference Test

The different test aims to determine the differences in the quality of CSR, TA, and EM from state-owned & non-state-owned companies. The results of the different test of this study are presented in Table 4.8 and Table 9 as follows:

Table 8Group Test Results

Group Statistics

	SOE	N	Means	std. Deviation	std. Error Means
TA	1	50	0.0571 _	0.9353 _	0.1322 _
	0	50	0.2288 _	0.5768 _	0.0815 _
CSR	1	50	0.6232 _	0.1065 _	0.0150 _
	0	50	0.6044 _	0.0994 _	0.0140 _
EM	1	50	0.0000 _	0.0002 _	0.0000 _
	0	50	0 .0001	0.0015 _	0.0002 _

Tabel 9 t test result for SOE

Coefficients [a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	0.624	0.015		40,942	0.000
	TA	- 0.020	0.017	- 0 .173	-1.189	0.241
	EM	3,978	69,225	0.008	0.057	0.954

a. SOE = 1

b. Dependent Variable: CSR

Source: Output SPSS Statistics 26

Tabel 10 t-test Result for non-SOE

Coefficients [a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	0.598	0.015		41,223	0.000
	TA	0.039	0.024	0.228	1,636	0.108
	EM	-17,347	9,201	- 0.262	-1,885	0.066

a. SOE = 0

b. Dependent Variable: CSR

Source: Output SPSS Statistics 26

In the results of Table 8 it can be seen that the number of SOE companies is 50 companies and NON SOE companies are 50 companies. The average TA in SOE is 0.05716 and NON SOE of 0.2288 . Meanwhile, the average EM in SOE is 0.000022 and NON SOE of 0.00014 . Based on Table 9 it is known that the calculated t value of the TA variable in SOE companies is 1.189 <t table 1.984467455 with a significant 0.241 > 0.05 , while in table 10 there is a calculated t value of the TA variable in non-state-owned companies of 1.636 <t table 1.984467455 with a significant 0.108 > 0.05. It can be concluded that TA in SOE & NON SOE companies has no effect on CSR. Based on Table 9 it is known that the calculated t value of the EM variable in SOE companies is 0.057 <t table 1.984467455 with a significant 0.954 > 0.05 , while in table 10 there is a calculated t value of the EM variable in non-state-owned companies of 1.885 <t table 1.984467455 with a significant 0.66 > 0.05. It can be concluded that the EM Variable in SOE & NON SOE companies has no effect on CSR.

DISCUSSION

Tax Avoidance Has a Negative Effect on Corporate Social Responsibility

Based on the results of the data analysis that has been done, it is known that the first hypothesis which states that TA has a negative effect on CSR is proven to be rejected, because based on the partial test (t test) it shows a significance value of 0.723 so that this value exceeds the significance level of 0.05, in other words, TA partially does not have a significant effect on CSR . This result is not in line with the results of research conducted by (Khan et al., 2022; Pratiwi & Siregar, 2019 and Abid & Dammak, 2022) which states that there is a positive relationship between TA and CSR which explains that companies disclose CSR activities to protect value against the potential negative consequences of aggressive TA practices. This indicates that the level of CSR disclosure carried out by public companies in Indonesia is more strategic to stem fraudulent acts so that the company's reputation and legitimacy is maintained. In addition, the reason why the sample companies cannot be socially responsible is because there are many trade offs in the implementation of CSR, especially the funds spent on CSR will reduce the funds to meet the needs of other stakeholders.

However, this research is in line with (Alsaadi, 2020) which shows that companies that implement CSR are less involved in TA than companies that do not carry out CSR. In particular, the TA strategy is a general practice and/or action in avoiding reducing the wealth that can be distributed by the company (Jarboui et al., 2020). increase in company value. Third, the benefits for managers who can benefit from the practice of TA, because there are rewards through bonuses related to corporate tax management.

Earning Management Has a Negative Influence on Corporate Social Responsibility

Based on the results of the data analysis that has been done, it is known that the second hypothesis which states that EM has a negative effect on CSR is proven to be accepted, because based on the partial test (t test) it shows a significance value of 0.025 so that the value is less than 0.05 in other words, EM partially has a significant negative effect towards CSR. The results of the study (Muhfiatun et al., 2022) found that CSR contributed significantly to the decline in EM practices. In line with research results (Liu & Lee, 2019) which found that companies with higher CSR scores tend to engage in EM **.**

From an ethical perspective, companies that carry out CSR are expected to limit earnings management because they are considered contrary to CSR activities which emphasize the need for ethical business practices to benefit society. EM practice is an act of manipulating accounting which aims to create a fair public opinion in order to increase the value of the company in the capital market. Management that conducts EM aims to get bonuses. Another motivation is to lower taxes. EM practices will lead to asymmetry in accounting reports, which can have an impact on the failure of investors in analyzing company performance in the future. So that CSR is present as a counterweight to these practices, in order to realize an accountable and transparent business process.

The Relationship Between Tax Avoidance and Earning Management on Corporate Social Responsibility in SOE Companies is different from Non-SOE

Based on the results of the different test analysis, the average TA in SOE is 0.05716 and NON SOE of 0.2288 . Meanwhile, the average EM in SOE is 0.000022 and NON SOE of 0.00014 , so the results of this study indicate that TA has no effect on CSR, both in SOE and Non-SOE companies. Whereas for EM in Non-SOE companies it will reduce the level of CSR, but in SOE EM does not affect CSR. The results of this study are not in line with the results found (Liu & Lee, 2019) which show that SOEs with higher CSR scores have lower TA levels. This shows that SOEs do not only fulfill government requirements and fulfill their tax obligations. In contrast, there is a positive relationship between CSR scores and TA levels for non-SOEs, implying that CSR is likely to be used as a strategic tool to camouflage corporate wrongdoing, such as TA. In SOEs the researchers found a higher CSR score indicating a lower level of earnings management, but such a relationship did not exist for non-SOEs. These results suggest that SOEs are trying to integrate CSR principles into business practices and, thus, limit their earnings management behavior.

From an ethical perspective, CSR companies are expected to limit earnings management because they are considered contrary to CSR activities which emphasize the need for ethical business practices to benefit society. Traditional ethical theory defines CSR as activities carried out by companies to contribute to the welfare and interests of society through ethical business practices. Therefore, if CSR companies engage in activities that fulfill CSR's ethical obligations for the benefit of society and its stakeholders, they will refrain from earnings management and provide credible and transparent financial reports that facilitate efficient resource allocation and stewardship decisions by stakeholders (Liu & Lee, 2019) .

CONCLUSION

This study examines whether CSR influences the opportunistic behavior of Indonesian companies listed on the IDX, such as tax avoidance and earnings management. Where companies are required to fulfill CSR in response to increasing concerns about social and environmental problems that accompany rapid economic growth. The company always strives to gain positive recognition from the public in order to build a good image. This creates a sense of obligation for companies to society to encourage them to behave ethically in accordance with the norms and values of the systems in which they operate. As a result, companies that carry out corporate social responsibility (CSR) tend not to engage in tax avoidance practices that are considered unethical and irresponsible. In addition, according to ethical theory, companies that carry out CSR are expected to limit earnings management because they are considered contrary to CSR activities which emphasize the need for ethical business practices to benefit society. Therefore, if CSR companies engage in activities that fulfill CSR's ethical obligations for the benefit of society and stakeholders, they will refrain from earnings management and provide clear and reliable government financial reports to facilitate stakeholders in making decisions and allocating resources. efficient.

Next, we investigate further whether the effect of CSR on earnings management or tax avoidance is different for state-owned and non-state-owned companies. Where SOE plays an important role in the development of CSR in Indonesia because the government takes the initiative to promote CSR through statutory regulations and company-specific guidelines under the control of the central government. If SOEs comply with the guidelines and apply them correctly in their business practices, then they are more likely to reduce earnings management or tax evasion than non-SOEs.

By analyzing industrial companies with a sample of 100 observations listed on the Indonesia Stock Exchange covering the 2017-2021 period. We find with the full sample that companies with high CSR scores do not affect tax avoidance. This indicates that the level of CSR disclosure carried out by public companies in Indonesia is more strategic to stem fraudulent acts so that the company's reputation and legitimacy is maintained. In the analysis conducted after dividing the sample into SOE and non-SOE, we found that tax avoidance had no effect on CSR, both for SOE and non-SOE companies . Regarding earnings management, higher CSR tends to be involved in earnings management. However, after we divided the sample into SOE and non-SOE, we found that there was a difference where earnings management had an effect on CSR in SOE companies while there was no effect on non-SOE companies. Evidence from this research can help investors better understand a company's business practices in financial reporting or tax planning from a CSR perspective.

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