

The Effect of Green Accounting, Firm Size, and Corporate Social Responsibility (CSR) on Tax Avoidance

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Abstract

This study aims to examine and find evidence regarding the influence of green accounting, firm size, and corporate social responsibility (CSR) on tax avoidance. The study population consists of energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. This is a quantitative study utilizing secondary data in the form of financial reports obtained from the official IDX website. A purposive sampling method was employed; out of 91 energy sector companies, 8 were selected over a five-year period, resulting in a total of 40 data samples. Panel data regression analysis was used, with data processing performed using EViews 14 and Microsoft Excel software. The results indicate that green accounting, firm size, and corporate social responsibility (CSR) simultaneously influence tax avoidance. Partial hypothesis testing reveals that green accounting has no effect on tax avoidance, whereas firm size and corporate social responsibility (CSR) do influence tax avoidance.

Keywords: *Green Accounting, Firm Size, Corporate Social Responsibility, Tax Avoidance.*

INTRODUCTION

In Indonesia, taxes are considered one of the main sources of state revenue. The contribution of taxes is an obligation that must be paid by citizens with a coercive nature without directly received rewards, used for the interest of implementing national development (Khairunnisa et al., 2023). Minister of Finance Sri Mulyani Indrawati reported that tax revenue up to March 15, 2024, was recorded at Rp 342.88 trillion or around 17.42% of the 2024 State Budget target. The slowdown in tax revenue was caused by the decline in commodity prices in 2023, the impact of which was only felt this year. Because of this, many companies submitted tax restitutions in 2023. Even so, gross tax

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revenue before restitution still showed a growth of 5.74% until mid-March 2024 (Afriyadi, 2024).

The interests between corporate taxpayers and the government in tax payments are very different. For companies, taxes are considered a profit deduction, which triggers companies to find ways to make their tax burden efficient. Conversely, the government views taxes as the main source of revenue to finance programs and public services. Because of these differences in interests, it can encourage business entities to legally utilize loopholes in tax regulations through tax avoidance to reduce the tax deposits paid (Ariska et al., 2020).

The very significant role of taxes on state development can be seen with the realization of tax revenue from 2020 to 2024.

Table 1. Realization of Tax Revenue (in trillion rupiah)

Year	2020	2021	2022	2023	2024
Target	1,198.8	1,229.6	1,485.1	1,818.3	1,988.9
Realization	1,070.0	1,231.87	1,716.8	1,869.23	1,932.4
Percentage	83.9%	100.19%	115.6%	102.80%	97.2%

Based on these data, the achievement of tax target realization with tax revenue realization provides the largest contribution to the state treasury. An example of a tax avoidance practice case that once occurred in one of the companies in the energy sector is PT. Adaro Energy Tbk, as one of the largest energy companies in Indonesia. It was suspected of manipulating transfer pricing through its subsidiary in Singapore, namely Coaltrade Services International Pte. Ltd. PT. Adaro Energy Tbk was suspected of carrying out this practice amounting to Rp 1.75 trillion, US\$ 125 million lower than the amount that should have been paid in Indonesia (Hariana, 2022). Tax avoidance is often detrimental to the state treasury because it decreases tax revenue. However, the government cannot impose sanctions on tax avoidance actors because this act is different from tax evasion. Tax avoidance is unique because from the company's side it is legal to do since legally no rules are broken, however, from the government's side it is not recommended (Arlita & Meihera, 2024).

Tax avoidance is influenced by several factors, among which is green accounting. According to Angelina & Nursasi (2021), green accounting is one of the methods used by companies to identify, measure, and report the impact of the company's operational



activities on the environment into the annual report. The green accounting concept is considered capable of helping to reduce environmental pollution that arises due to industrial activities, especially if the company shares the burden and incurs costs for environmental management (Purbaningsih, 2024). The implementation of green accounting is strongly influenced by the company's understanding characteristics regarding environmental issues, which will encourage companies to make policies that pay more attention to environmental sustainability (Rachmawati & Karim, 2021).

Besides the application of green accounting as a social environmental problematic in business activities, another factor that can affect tax avoidance is firm size. Firm size describes the level of stability and the company's ability in carrying out its economic activities. Large-scale companies generally have more competent human resources, so tax burden management can be done better compared to small companies that tend to experience limitations in expert personnel (Ariska et al., 2020). Large-scale companies have more opportunities that can be utilized to carry out tax avoidance strategies, one of which is delaying profit recognition to the following period so that the tax burden that must be paid in the current year becomes lower (Wulandari & Purnomo, 2021).

The final factor affecting tax avoidance is corporate social responsibility (CSR) as the company's environmental responsibility. According to Azizul (2020), corporate social responsibility (CSR) becomes a form of corporate responsibility in improving the community's quality of life. Through CSR, the company does not only focus on profit but also plays a role in helping the community face social problems and keeping the environment sustainable. Companies that consistently report their CSR activities tend to get a positive response seen from the increase in stock prices and increased company value. Investors usually prefer companies that implement CSR because the implementation provides an overview regarding the company's sustainability and prospects in the future (Thasya et al., 2020).

This mechanism is explained through agency theory and legitimacy theory. Agency theory describes how companies attempt to practice tax avoidance to fulfill the interests of the principal and company management. The tax avoidance conflict arises due to differences in interests and agreements between the owner (principal) and management (agent) (Wardhana et al., 2021; Haya & Mayangsari, 2022). Meanwhile, legitimacy theory explains that companies are part of society, so they must follow applicable rules and social norms so their operational activities can be accepted in society. The relationship between legitimacy theory and corporate social responsibility (CSR) on tax avoidance shows that companies carrying out CSR strive to obtain positive image acceptance and

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legitimacy from the community, therefore tending to minimize tax avoidance because the practice is considered a violation of public interest (Nopianto & Dalimunthe, 2024).

METHOD

This study uses a quantitative method with an associative approach utilizing secondary data. The study population consists of energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020-2024 period. The sampling technique employed is purposive sampling based on the criteria of energy sector companies that reported financial statements consecutively from 2020 to 2024, exhibited positive financial performance during the period, and received a PROPER rating in their Annual Report or Sustainability Report.

Data collection was carried out through documentation techniques, utilizing data published on the official IDX website and the respective companies' official websites. The dependent variable in this study is tax avoidance, which is measured using the Effective Tax Rate (ETR) by dividing the income tax expense by the profit before tax.

The independent variables consist of green accounting, firm size, and corporate social responsibility (CSR). Green accounting is measured using the PROPER environmental disclosure index ranging from Gold (5) to Black (1). Firm size is calculated using the natural logarithm of total assets. Corporate social responsibility is measured using the CSR spending ratio, calculated by dividing the total CSR expenditure by the profit after tax.

Data analysis is conducted using panel data regression assisted by E-Views 14 software. The estimation model is determined through the Chow, Hausman, and Lagrange Multiplier tests to select the best approach among the Common Effect Model, Fixed Effect Model, and Random Effect Model. The study applies classical assumption tests consisting of normality, multicollinearity, heteroskedasticity, and autocorrelation tests, followed by multiple linear regression analysis and hypothesis testing through the coefficient of determination (R^2), simultaneous test (F-test), and partial test (T-test).

RESULTS AND DISCUSSIONS

Descriptive Statistics Analysis

The characteristics of the research variable data are explained using descriptive statistical analysis.



Table 2. Descriptive Statistics Output Results

	Tax Avoidance (Y)	Green Accounting (X1)	Firm Size (X2)	Corporate Social Responsibility (X3)
Mean	-0.232600	3.975000	30.71740	-0.009550
Maximum	-0.060000	5.000000	32.75400	-0.001000
Minimum	-0.479000	3.000000	28.57000	-0.040000
Std. Dev.	0.064365	0.733362	1.121864	0.009806
Observations	40	40	40	40

The descriptive statistics test results show the number of observations after outliers includes 40 observations and the sample consists of 8 companies over 5 years. The tax avoidance variable shows a minimum value of -0.479000 and a maximum value of -0.060000, with an average (mean) value of -0.232600 and a standard deviation value of 0.064365. The green accounting variable shows a minimum value of 3.000000 and a maximum value of 5.000000, with an average (mean) value of 3.975000 and a standard deviation value of 0.733362. The firm size variable shows a minimum value of 28.57000 and a maximum value of 32.75400, with an average (mean) value of 30.71740 and a standard deviation value of 1.121864. The corporate social responsibility variable shows a minimum value of -0.040000 and a maximum value of -0.001000, with an average (mean) value of -0.009550 and a standard deviation value of 0.009806.

Panel Data Model Selection and Classical Assumption Tests

The model selection procedures to identify the most appropriate model from the 3 (three) available tests can be realized through the Chow, Hausman, and Lagrange Multiplier tests.

Table 3. Panel Data Regression Model Selection Results

No	Method	Test	Result
1	Chow Test	Fixed Effect Model with Common Effect Model $0.0014 < 0.05$	FEM
2	Hausman Test	Random Effect Model with Fixed Effect Model $0.0351 < 0.05$	FEM



The results describe the best model for the Chow Test is the FEM model and the Hausman Test is the FEM model. Thus, the FEM model is the best model for panel data testing in this study. After carrying out the data deletion process (outliers) of 3 companies, the normality test results using E-Views 14 SV show the dependent and independent variables are normally distributed with a Jarque-Bera (JB) statistic of 0.094748 and a probability of $0.953731 > 0.05$, so it is determined that the sample is normally distributed. The correlation coefficient values between independent variables green accounting (X1), firm size (X2), and corporate social responsibility (X3) show a VIF < 10 , indicating no multicollinearity occurs. The probability value between independent variables shows a prob. Chi-square of $0.7391 > 0.05$, concluding all independent variables pass the heteroskedasticity test. The prob. Chi-squared value is $0.2303 > 0.05$, concluding the independent variables do not experience the autocorrelation test or pass the autocorrelation test.

Hypothesis Testing Results

The coefficient of determination test results obtained through the best data estimation model, FEM, show an adjusted R-squared value of 0.551555, meaning the influence of independent variables on the dependent variable is 55.15% and the remaining 44.85% is influenced by other variables not included in this study.

Table 4. Simultaneous Statistical Test Results (F-Test)

Variable	F-Statistic	Prob (F-statistic)
Green Accounting, Firm Size, CSR	5.796727	0.000094

The calculated F value is 5.796727 and the prob (F-statistic) value shows 0.000094 < 0.05 , so it is concluded that green accounting, firm size, and corporate social responsibility (CSR) simultaneously affect tax avoidance or H1 is accepted.

Table 5. Partial Test Analysis Results (T-Test)

Variable	Coefficient	t-Statistic	Prob.
C	2.467239	3.327503	0.0024
Green Accounting (X1)	0.028791	1.263835	0.2164
Firm Size (X2)	-0.089874	-3.679845	0.0009



Corporate Social Responsibility (X3)	5.610326	5.285878	0.0000
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The prob value for green accounting is $0.2164 > 0.05$, which means green accounting (X1) partially does not affect tax avoidance or H2 is rejected. The prob value for firm size is $0.0009 < 0.05$, which means firm size (X2) partially affects tax avoidance or H3 is accepted. The prob value for corporate social responsibility is $0.0000 < 0.05$, which means corporate social responsibility (X3) partially affects tax avoidance or H4 is accepted.

Table 6. Recapitulation of Hypothesis Test Results

Hypothesis	Statement	Sig. Value	Result
H1	The effect of Green Accounting, Firm Size and Corporate Social Responsibility simultaneously on Tax Avoidance.	0.000094	Accepted
H2	The effect of Green Accounting on Tax Avoidance.	0.2164	Rejected
H3	The effect of Firm Size on Tax Avoidance.	0.0009	Accepted
H4	The effect of Corporate Social Responsibility on Tax Avoidance.	0.0000	Accepted

DISCUSSION

This study uses the F-Test with a prob (f-statistic) value of $0.000094 < 0.05$, which means the prob f-statistic value is smaller than the 0.05 significance level. This test also produces a calculated f value $> f$ -table, which is $5.796727 > 2.028094$. From these results, it is concluded that the independent variables, namely green accounting, firm size, and corporate social responsibility (CSR) simultaneously affect the dependent variable, namely tax avoidance. This research result supports legitimacy theory because this study's focus relates to the company's efforts to maintain image, obtain public trust, and corporate social responsibility. The implementation of green accounting and corporate social responsibility (CSR) becomes a form of corporate responsibility to not only focus



on profit, but must pay attention to social and environmental aspects. The better the implementation of green accounting and corporate social responsibility (CSR), the larger the company size. Companies with a large firm size have more adequate resources to gain public attention and tend to maintain the company's reputation by avoiding tax avoidance practices. Thus, the variables of green accounting, firm size, and corporate social responsibility (CSR) have a relationship in influencing company decisions regarding tax avoidance practices.

Partially, the green accounting variable does not affect tax avoidance. This research result contradicts legitimacy theory which states that the implementation of green accounting in companies is carried out to maintain a positive image, but in this study, the implementation of green accounting does not affect tax avoidance actions. Meaning, the high or low application of green accounting does not determine whether the company conducts tax avoidance or not. The implementation of green accounting shows that it is carried out as a form of environmental responsibility and the company's social obligation, not as a factor directly related to tax policy. Companies that implement green accounting cannot be used as a reference that the company does not conduct tax avoidance.

Partially, the firm size variable affects tax avoidance. This research theory is in line with agency theory because in large companies, there is usually a separation between the company owner (principal) and management (agent). Large companies tend to have the resources and experts to carry out tax avoidance strategy actions. The larger the firm size, the higher the opportunity for the company to conduct tax avoidance. Firm size affects tax avoidance because larger companies have more complex financial management systems and broader capabilities to utilize tax loopholes, as well as the ability to maintain the company's reputation and better resources in conducting tax avoidance to reduce the company's tax burden in a planned manner with applicable tax regulations.

Partially, the corporate social responsibility (CSR) variable affects tax avoidance. Legitimacy theory with corporate social responsibility (CSR) on tax avoidance shows that companies carrying out CSR strive to obtain positive image acceptance and legitimacy from the community. Therefore, companies implementing CSR tend to minimize tax avoidance because the practice is considered a violation of public interest resulting in a decline in the company's image in the eyes of the community. Corporate social responsibility (CSR) affects tax avoidance because companies that actively carry out



social responsibilities tend to pay more attention to the company's positive image and reputation in making decisions related to tax avoidance actions.

CONCLUSION

This study aims to answer the research problem formulation by analyzing whether there is an effect of green accounting, firm size, and corporate social responsibility (CSR) on tax avoidance in energy sector companies listed on the Indonesia Stock Exchange (IDX) during 2020-2024. Sample determination used the purposive sampling method, resulting in 8 companies that met certain criteria out of 91 listed companies, and the company sample used reached 40 observational data.

Based on the data processing results obtained using E-views 14 SV software, it is concluded that simultaneously, the variables of Green Accounting, Firm Size, and Corporate Social Responsibility (CSR) affect Tax Avoidance. Partially, the Green Accounting variable does not affect Tax Avoidance, whereas the Firm Size variable and the Corporate Social Responsibility (CSR) variable partially affect Tax Avoidance.

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