ANALYSIS OF THE INFLUENCE OF TAX AVOIDANCE, FAMILY MEMBERS BOARDS, AND FOREIGN MEMBERS BOARDS ON THE SOCIAL RESPONSIBILITY OF COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE

Sinta Arieta1
Correspondence email: sintakho07@gmail.com
[1]Faculty of Business and Management, Batam International University, Batam, Indonesia

Abstract
The purpose of this writing is to determine the factors that influence corporate social responsibility in Indonesia. Several factors can affect corporate social responsibility including tax evasion, family members and foreign members. This writing takes samples from the annual and financial reports of all corporate sectors that publish sustainability reports and are listed on the Indonesian stock exchange from 2017-2021. The research method used was purposive sampling, with the condition that the report must disclose corporate social responsibility in reports for five consecutive years.
The results of the study prove that the board of foreign members has a positive and significant effect on corporate social responsibility. Meanwhile, tax avoidance and family member councils have no effect on corporate social responsibility.

Keyword:
tax avoidance, family members, foreign members, corporate social responsibility

Introduction
Each company has a concept that plans and implements the company to attract public attention in the form of concern and responsibility for environmental and social conditions with the aim of building the company's superiority to internal and external parties. Today, every country plays an important role by putting pressure on companies not to take actions that are not committed to responsibility for the environment and society.(Beltratti, 2005)

Social responsibility reporting (CSR) is becoming a common practice today where thousands of companies around the world issue CSR reports that provide information about the implementation of a company's environmental, social, and economic activities to gain competitive advantage. Therefore, many companies' reporting on CSR activities has not only increased but also the concept has expanded significantly, making it increasingly important for businesses to prove their commitment to environmental and social issues (Abu Qa'dan & Suwaidan, 2019; Anita & Amalia, 2021; Wati & Malik, 2021; Yopie & Robin, 2023)

Sinta Arienta   ISSN: 2776-5644

In the business world, many countries have implemented social responsibility reporting activities, one of which is Indonesia which requires social responsibility reporting to be a legal mandatory as stated in Law Number 40 of 2007 concerning Limited Liability Companies. However, if you compare it with countries that have carried out social responsibility reporting, Indonesia can be categorized as having little reporting with evidence carried out by two organizations, namely the ASEAN CSR Network and the National University of Singapore (NUS) in 2020. The following are the results of research conducted by both that organization.

Table 1. Social Responsibility Reporting

No	Country	Economy	Environment	Social	Government
1	Indonesia	50%	70%	99%	39%
2	Malaysia	74%	91%	99%	76%
3	Philippines	87%	94%	100%	87%
4	Singapore	65%	95%	100%	91%
5	Thailand	59%	85%	99%	81%
6	Vietnamese	51%	78%	100%	31%

Source: ASEAN CSR Network and National University of Singapore "Corporate Sustainability Reporting in ASEAN Countries"

Based on the table above, it can be seen that Indonesia is still low in practicing social responsibility (CSR) activities. One of the things that allows low social responsibility is the company's awareness of the success achieved by the company but it has not been accompanied by a level of concern for the welfare of the surrounding community. In assessing the needs of the surrounding community because what is carried out by various companies which are claimed to be CSR programs is in reality not aimed at the local community but at the company itself. In fact, this social responsibility is very important for companies because providing CSR disclosures can produce a better understanding of the company's activities and reduce criticism from various sources, which leads to a better quality reputation.(Salehi et al., 2017)

Literature review

The concept of CSR has received attention from society in recent years. There are many definitions applied to CSR. As an example,Turker (2009)states that CSR disclosure is defined as a scheduled disclosure of financial and non-financial issues regarding the company's correlation with society and the environment which can be seen in the annual report and states that CSR disclosure includes activities related to the environment, employees, consumers, equal opportunities, education, health care , fair trade, energy consumption, etc(Gray et al., 2001)

According toCarroll (2017)Social responsibility is an activity that responds to economic, legal, ethical expectations, and these expectations come from wider society and stakeholders

other than shareholders such as consumers, suppliers, society, government and employees. The goal of social responsibility is to encourage companies to align their strategies with responsible business practices. Social responsibility reporting is so important that the level of social responsibility disclosure by an organization can be considered its intention to engage in CSR initiatives(Ehtazaz Javaid Lone Amjad Ali Imran Khan, 2016). Social responsibility is increasingly becoming a strategic issue for companies and depends on management decision making. To better conduct decision-making processes, boards are called upon to develop strategic orientations and reforms that lead to the maximization of value for all partners.

According toSheikh et al (2021)Social responsibility as the inclusion of social environmental concerns and governance in corporate decision making. This prospect requires careful examination of why and how corporate governance drives its environmental and social practices. The assessment of a company's activities is contained in the sustainability report and this report is guided by the Global Reporting Initiative (GRI). The disclosure of social responsibility in this research refers to the GRI which groups corporate social responsibility issues into sustainability reports. GRI reporting standards pay attention to three aspects, namely environmental, economic and social, which are divided into 94 disclosure items.

The model and hypothesis in this research are as follows:
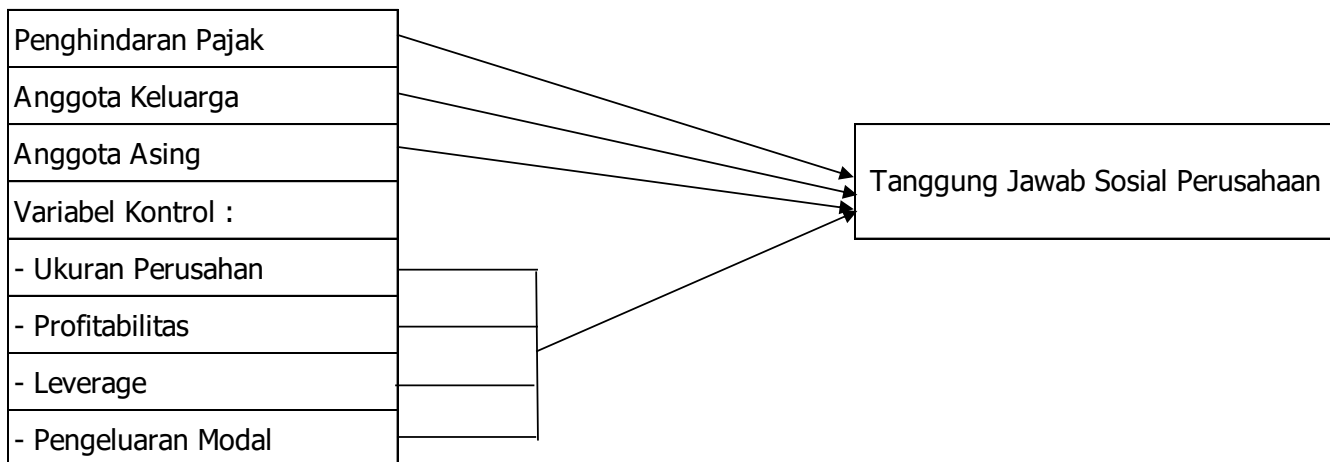
Based on the description and research model above, the hypothesis in the research is formulated as follows:

H1: Tax avoidance has a significant positive effect on social responsibility.
H2: Family memberson the board has a significant positive effect on social responsibility.
H3: Foreign Memberson the board has a significant positive effect on social responsibility.

Research methodology

In the process of creating research, a model must be prepared at the beginning which is usually called a research design model. The research model has an important influence on research because the structure of the framework will make it easier for the researcher to answer the question. The type of research used by researchers is quantitative because data analysis in this research uses numerical values and variables are measured using this analysis.

This research is classified as basic research. This is because it aims to solve problems theoretically and is expected to play a role in further theoretical development. In addition, because this research analyzes causal relationships between variables, this research is considered comparative causal research(Sugiyono, 2006). The data used is time series category data because it is historical data for a certain time period.

The author uses companies listed on the Indonesian Stock Exchange as the research population. Purposive sampling is the sampling technique used in the author's research. The criteria for determining the research sample are as follows:

1. Companies listed on the Indonesia Stock Exchange (BEI) which continue to disclose annual reports and financial reports from 2017 to 2021.
2. Companies whose annual reports contain information about corporate governance disclosures.
3. Companies that continue to disclose social responsibility in sustainability reports from 2017 to 2021.

This research uses the dependent variable, corporate social responsibility, which provides information regarding a company's contribution to the environment and society. This research uses the Global Reporting Initiative (GRI) guideline standards with disclosure of 94 items, with the analysis used is a dummy score. Thus, social responsibility is measured by GRI Standards 2021 with the total disclosure attached in attachment 1. The formula for social responsibility is as follows.

$$Tanggung\ Jawab\ Sosial = \frac{Jumlah\ Pengungkapan}{94}$$

The independent variables used by the author are:

1. Tax avoidance is a practice used by companies to minimize the tax burden (Chandra & Cintya, 2021). The tax avoidance formula follows previous studies(Abdelfattah & Aboud, 2020)are as follows.

$$ETR = \frac{Beban\ Pajak\ Penghasilan}{Penghasilan\ sebelum\ Pajak}$$

2. Family Members on the Board of Directors. The formula for family members on the board of directors follows previous studies(Abdelfattah & Aboud, 2020)is to use a Dummy variable whose indicator is coded as "1" for companies with family members on the board of directors, and "0" otherwise.
3. Foreign Members on the Board of Directors. The formula for foreign members on the board of directors follows previous studies(Abdelfattah & Aboud, 2020)is to use a Dummy variable whose indicator is coded as "1" for companies with foreign members on the board of directors, and "0" otherwise.
4. Company Size: The company size formula follows previous studies(Abdelfattah & Aboud, 2020)are as follows

SIZE =LN (Total Assets)

5. Profitability,The company size formula follows previous studies(Abdelfattah & Aboud, 2020)are as follows.

Profitability=(Net income before extraordinary items)/(Total Assets)

6. leverage,The company size formula follows previous studies(Abdelfattah & Aboud, 2020)are as follows.

Profitability=(Net income before extraordinary items)/(Total Assets)

7. Capital Expenditure,The company size formula follows previous studies(Abdelfattah & Aboud, 2020)) are as follows.

Leverage=(Total Debt)/(Total Assets)

In this research, researchers used multiple linear regression to investigate and analyze the relationship between the independent variable and the dependent variable. This method is a combination of data between cross sections and time series. The application for testing this research data is the Statistical Package for Social Science (SPSS). Descriptive statistical analysis is an analysis of relatively primary data, a statistical description of relevant data from all variables to describe data clearly in terms of minimum values, maximum values, variance values, average (mean) values, and standard deviation values.

Outliers are defined as data that is significantly different from other data or has a deviation that is quite far from the average figure. This test aims to analyze a series of data that does not reflect actual information. Outlier data causes the analysis results to be less precise. Oulier data also causes data to spread abnormally. The cause of data abnormalities is due to abnormalities in sampling, input, or extreme data. Data with SDR figures < -1.96 and > 1.96 will be excluded so they will not be included in further analysis(Ghozali, 2018)If the test results from an outlier study exceed predetermined limits, then the data is said to be a research deviation and the data must be deleted from observation.

1. Kolmogrov Smirnov test, the guideline used in decision making in this test is that if the significance value is <0.05 then the data distribution is not normal. If the significance value is >0.05 then the data distribution is normal.

2. Normality Probability Plot graph, the condition used is that if the data spreads around the diagonal line and follows the direction of the diagonal line, then the regression model meets the normality assumption. If the data spreads far from the diagonal and/or does not follow the direction of the diagonal line, then the regression model does not meet the assumption of normality.(Ghozali, 2016)

3. Multicollinearity Test. Whether or not there is multicollinearity can be seen from the tolerance and variance inflation factor (VIF) values. These two measures show which of each independent variable is explained by other independent variables. Tolerance measures the variability of a selected independent variable that is not explained by other independent

variables. The cutoff value that is commonly used to indicate the presence of multicollinearity is a tolerance value < 0.10 or the same as a VIF value > 10.

4. Autocorrelation Test, To detect whether or not there is autocorrelation, it can be seen from the Durbin Watson (DW) test with the following conditions
   a. The Durbin Watson number is below -2, meaning there is positive autocorrelation.
   b. The Durbin Watson number is between -2 to +2, meaning there is no autocorrelation.
   c. The Durbin Watson number is above +2, meaning there is negative autocorrelation.
5. The Heteroscedasticity test is carried out by looking at whether there is a certain pattern in the Scatterplot graph between SRESID and ZPRED where the Y axis is what has been predicted, and the X axis is the residual (predicted Y–actual Y) which has been unstandardized. The basis of the analysis is that if the points form a certain regular pattern (wavy, widening then narrowing), then heteroscedasticity occurs. If there is no clear pattern, the points spread above and below the number 0 on the Y axis, then heteroscedasticity does not occur(Ghozali, 2016)

The results of the F Test are known by looking at the following criteria:

1. If the value of prob. F < 0.05, it can be concluded that the independent variable simultaneously and significantly influences the dependent variable. This also shows that the model used is aligned.

2. If the value of prob. F > 0.05, so it can be concluded that the independent variables simultaneously but have no significant effect on the dependent variable.

Predicting whether the independent variable partially has a significant or insignificant effect on the dependent variable is the purpose of the t test(Ghozali, 2016)The t test has criteria, namely:

1. If the value of prob. F < 0.05, it can be concluded that the independent variable significantly influences the dependent variable.

2. If the value of prob. F > 0.05, so it can be concluded that the independent variable has an insignificant effect on the dependent variable.

The Coefficient of Determination Test (R2) or Goodness of Fit Model shows the ability of the independent variables to explain the dependent variable in a regression model, whether there is harmony and certainty in their relationship with each other.(Ghozali, 2016). The coefficient of determination (R2) shows that the stronger the linear regression model used as a prediction tool.

Results and Discussion

The author uses data in the form of financial reports for the 2017-2021 period as research objects. Companies listed on the Indonesian Stock Exchange are the sample for this research. The following table presents the entire sample used as research data:

Table 2. Details of the Research Sample

Information	Amount	
Companies registered on the BEI	782	
Companies that do not meet the criteria	(736)	
Companies used as samples	46	
Year of research	5	company
Total research data	230	
Outlier Data	(23)	
Observation Data	197	

Source: Secondary data processed (2022)

To make it easier for readers to understand the results of this research, the following table is presented regarding descriptive statistical tests in this research:

Table 3.Descriptive Statistical Test Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Corporate Social Responsibility (CSR)	197	,0532	,4787	,2549	,0974
Tax Avoidance (ETR)	197	-2.2574	2.6671	,2973	,4242
Company Size	197	2,350,885,736,000	1,725,611,128,000,000	178,819,514,312,697	353,998,871,608,490
Profitability	197	-,1177	2.9495	,0827	,2719
Leverage	197	,0480	1.7400	.6395	,4041
Capital Expenditures	197	-,2355	,3889	,0123	,0531

The results that illustrate the minimum number, namely 0.0532, are found at PT Adhi Karya (Persero) Tbk, the maximum number is 0.4787 at PT Timah Tbk, and the average value for CSR (Corporate Social Responsibility) is 0.2549 with a standard deviation of shows a data distribution of 0.0974 which states that the average corporate social responsibility disclosure carried out by companies is 25.49. This shows that companies do not report their social responsibilities completely or around 67 items of CSR disclosure based on the GRI guidelines reported in sustainability report.

The company that shows the minimum ETR (Effectice Tax Rate) based on the test results above is Salim Ivomas Pratama Tbk, amounting to -2.2574. The maximum figure of 2.6671 is found in Elnusa Tbk, and the average value of ETR (Effective Tax Rate) is 0.2973 which states that the average company performance avoids taxes by 29.73% which shows that companies listed on the IDX has met the government's target, namely the Corporate PPH rate stipulated in Government Regulation (PP) Number 30 of 2020, namely 22% which is valid until 2022. The standard deviation value of the test results is 0.4242 (above the average) meaning that the ETR has a level high data variation.

The company that shows the largest company size based on the test results above is PT Bank Mandir (Persero) Tbk which has total assets of IDR 1,725,611,128,000,000 in 2021, for companies that fall into the small company size category, namely PT AKR Corporindo Tbk which has a total assets of IDR 2,350,885,736,000 in 2021. Average value of IDR 178,819,514,312,697.-

Company profitability shows the level of productivity of assets used by the company to generate income. The minimum value is -0.1177 for the Eagle High Plantations Tbk company in 2021 and the maximum value is 2.9495 for the Kalbe Farma Tbk company in 2021. Profitability has an average of 0.0827, which means that the company's assets can generate a profit of 0.0827 of every single rupiah he has.

The average value shown for leverage which is measured using the ratio of total debt to total assets is 0.4041, meaning that there are 40.41% of companies with assets covered by debt with a maximum level of 174% for the Bakrie & Brothers Tbk company in in 2017 and the lowest was 48% by the Mitrabahtera Segara Sejati company in 2021.

The average figure shown for capital expenditure is 0.0123, which means the increase in the company's fixed assets is still 1.23%. The standard deviation value of capital expenditure is 0.0531 or 5.31% greater than the average value so that capital expenditure data is heterogeneous. The lowest capital expenditure was found at the East Java Regional Development Bank Tbk in 2020, amounting to -0.2355, which means the possibility of the company divesting its fixed assets means there is a minus. The maximum figure of 0.3889 was owned by PP (Persero) Tbk in 2019.

Table 4. Results of Descriptive Statistical Tests on Family Member Variables

Research variable	Category	Frequency	Percent
Family members	0 = Has no family members	191	97.0
	1 = Has Family Members	6	3.0

Source: Processed secondary data (2022)

The data from the research above produced 6 data of companies that had family members on the board of directors and 191 data of non-companies that did not have family members on the board of directors. This data differs by 191 data from a total of 197 data or only a difference of 97% of the total

Table 4.Descriptive Statistics Test Results on Family Member Variables

Research variable	Category	Frequency	Percent
Foreign Members	0 = Has No Foreign Members	119	60.4
	1 = Has Foreign Members	78	39.6

Source: Processed secondary data (2022)

The results from the table above show that the data for companies that have foreign members on the board of directors is 78 or the equivalent of 39.6%. Meanwhile, companies that do not have foreign members on the board of directors are 119 or the equivalent of 60.4%. This means that there are still many companies in Indonesia that do not have foreign members who lead and manage the company in accordance with the company's goals.

Table 5.One-sample Kolmogrov Smirnov Normality Test Results

	Unstandardized Residuals
Asymp. Sig. (2-tailed)	,200c,d

Source: Processed secondary data (2022)

The results from the table above show that the Asymp.Sig value is 0.200, which states that the residuals are distributed normally or it can be said that the normality assumption has been fulfilled.

Table 6.Multicollinearity test results - coefficients

	t	Sig	Tolerance	VIF
(Constant)	16,636	,000		
Tax Avoidance	,980	,328	,972	1,029
Family members	-1,684	,094	,877	1,140
Foreign Members	-3,397	,001	,886	1,129
Company Size	-2,761	,006	,911	1,097
Profitability	,876	,382	,990	1,010
Leverage	0.977	,330	,949	1,054
Capital Expenditures	-.023	,982	,882	1,134

Source: Processed secondary data (2022)

The results in the table above show that the VIF (variance inflation factor) values for all variables are below 10 so it can be concluded that there is no multicollinearity occurring.

Table 7.Autocorrelation test results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.315a	,099	,066	.0941733	1,262

Source: Processed secondary data (2022)

The results of the table above show that the Durbin-Watson value has the criteria that if it is less than -2 or less than 2 then it is stated that there is no autocorrelation.

Figure 2.Empirical heteroscedasticity test results
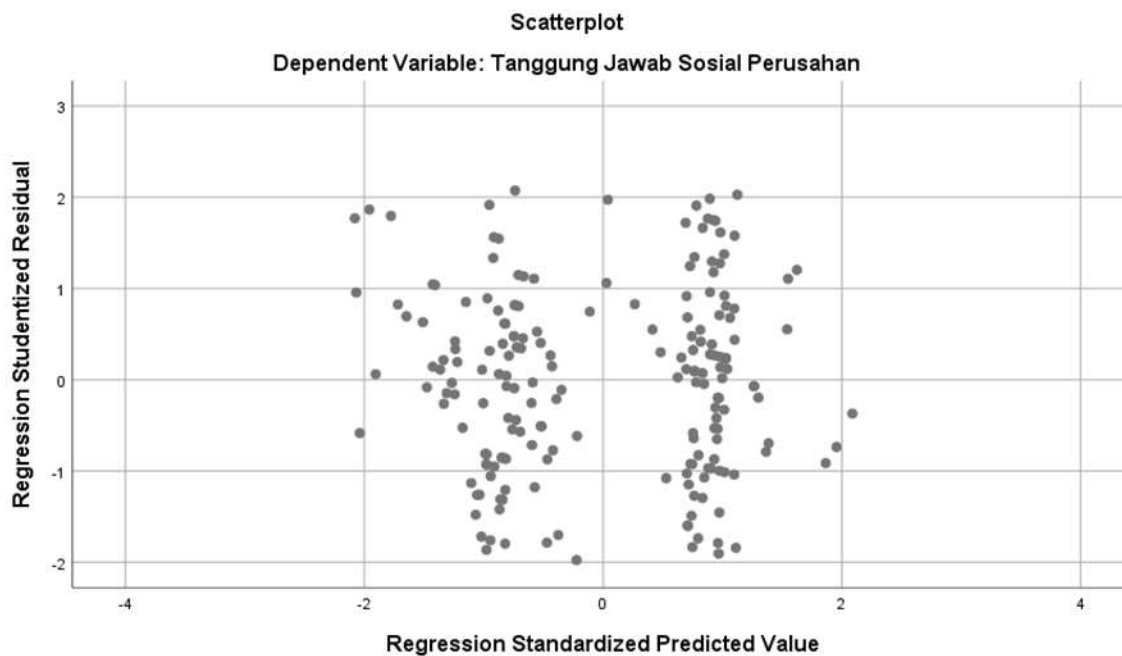
The results of the image above show that the data is spread normally so there is no heteroscedasticity problem.

Table 7.F test results

Model	Sum of Squares	df	Mean Square	F	Sig.

1	Regression	,185	7	.026	2,981	.005 b
	Residual	1,676	189	,009		
	Total	1,861	196			

a. Dependent Variable: Corporate Social Responsibility
b. Predictors: (Constant), Capital Expenditures, Family Members, Profitability, Company Size, Tax Avoidance, Foreign Members, Leverage

Source: Secondary data processed (2022)

In accordance with the F test results in the table listed above, it is said that the test results are significant. This means that the dependent variable is influenced by the independent variable so that the model can be used. This is reinforced by a significance value of less than 0.05. The significance value of corporate social responsibility is 0.00

Model	Unstandardized Coefficients		Standardized Coefficients			Conclusion
	B	Std. Error	Beta	t	Sig.	
(Constant)	,270	.016		16,636	,000	
Tax Avoidance	.016	.016	,069	,980	,328	Not proven
Family members	-.070	,042	-.124	-1,684	,094	Not proven
Foreign Members	-.050	,015	-.249	-3,397	,001	Proven
Company Size	-5.496E-17	,000	-.200	-2,761	,006	
Profitability	,009	.011	,061	,876	,382	
Leverage	.017	.017	,069	,977	,330	
Capital Expenditures	-.003	.135	,002	-.023	,982	

Table 8.T test results

Source: Secondary data processed (2022)

Explanation of the t test results is in Table 4.7. There is 1 variable that has a significant positive result on corporate social responsibility, namely foreign members. Meanwhile, the corporate social responsibility variable is not influenced by the tax avoidance and family member variables with the test results that have been obtained.

The results of the H1 TEST show that the results of this research show that corporate social responsibility does not have a significant positive effect on tax avoidance with a probability value of 0.328 and a coefficient of 0.980 in Table 4.9 which implies that the company's contribution to social responsibility can receive favorable tax treatment and therefore reduce his tax liability. The test results are stated with a probability number that is greater than 0.05 and the first hypothesis is rejected.

H2 TEST Results The family member variable on the board has a significant negative influence on the corporate social responsibility variable. The probability value is 0.094 and the coefficient is -1.684 which is obtained from Table 4.9 so that the second hypothesis cannot be accepted.

H3 TEST Results Corporate social responsibility is significantly positively influenced by foreign members on the board of directors. The probability value is 0.001 and the coefficient is -3.397 which is listed in Table 4.9. The test results are stated with a probability number that is smaller than 0.05 and the third hypothesis is accepted

Conclusion

The aim of this research is to examine aspects that can influence corporate social responsibility. The aspects chosen as independent variables are tax avoidance, family members on the board of directors and foreign members on the board of directors. Regression analysis in this study uses linear regression. The F test, T test, and coefficient of determination test are part of the tests that must be carried out so that the regression model can be used. In chapter 4 the research results show that the selected model is linear regression. Determining the model with the SPSS application

The test results show that the independent variables found are tax avoidance and family members on the board do not have a significant positive impact on corporate social responsibility. Meanwhile, the foreign member variable on the board has a significant positive effect on corporate social responsibility.

Bibliography

Abdelfattah, T., & Aboud, A. (2020). Tax avoidance, corporate governance, and corporate social responsibility: The case of the Egyptian capital market. Journal of International Accounting, Auditing and Taxation, 38, 100304. https://doi.org/10.1016/j.intaccaudtax.2020.100304

Abu Qa'dan, MB, & Suwaidan, MS (2019). Board composition, ownership structure and corporate social responsibility disclosure: the case of Jordan. Social Responsibility Journal, 15(1), 28–46. https://doi.org/10.1108/SRJ-11-2017-0225

Anita, A., & Amalia, D.P. (2021). The influence of social responsibility on financial performance: Ownership structure as a moderating variable. Journal of Modernization Economics, 17(1), 54–68; https://doi.org/10.21067/jem.v17i1.5283

Beltratti, A. (2005). The complementarity between corporate governance and corporate social responsibility. Geneva Papers on Risk and Insurance: Issues and Practice, 30(3), 373–

386. https://doi.org/10.1057/palgrave.gpp.2510035

Carroll, A. B. (2017). A three-dimensional conceptual model of corporate performance. Corporate Social Responsibility, 4(4), 37–45. https://doi.org/10.5465/amr.1979.4498296

Chandra, B., & Cintya, C. (2021). Efforts to practice Good Corporate Governance in tax avoidance in Indonesia. Journal of Modernization Economics, 17(3), 232–247. https://doi.org/10.21067/jem.v17i3.6016

Ehtazaz Javaid Lone Amjad Ali Imran Khan. (2016). Corporate Governance: The international journal of business in society. Iss Accountability Journal, 10(4), 365–374. http://dx.doi.org/10.1108/14720701011069605%5Cnhttp://dx.doi.org/10.1108/0951357 0810872978%5Cnhttp://dx.doi.org/10.1108/cpoib-06-2013-0019

Ghozali, I. (2016). Ghozali, Imam. 2016. Application of Multivariate Analysis with the SPSS Program. Semarang: UNDIP Publishing Agency. Multivariate Analysis Using the SPSS Program, 12(26).

Ghozali, I. (2018). Multivariate analysis application with the IBM SPSS 25 9th edition program. http://slims.umn.ac.id//index.php?p=show_detail&id=19545

Gray, R., Javad, M., Power, D. M., & Sinclair, C. D. (2001). Social and environmental disclosure and corporate characteristics: A research note and extension. Journal of Business Finance and Accounting, 28(3–4), 327–356. https://doi.org/10.1111/1468-5957.00376

Santi Yopie, & Robin. (2023). The Influence of Corporate Governance System and Corporate Social Responsibility on Corporate Profit Management Kompas 100. Migration Letters, 20(7), 1327–1346. https://doi.org/10.59670/ml.v20i7.5153

Salehi, M., Tarighi, H., & Rezanezhad, M. (2017). The relationship between board of directors' structure and company ownership with corporate social responsibility disclosure: Iranian angle. Humanomics, 33(4), 398–418. https://doi.org/10.1108/H-02-2017-0022

Sheikh, M.F., Bhutta, A.I., Rehman, B., Bazil, M., & Hassan, A. (2021). Corporate social responsibility and dividend policy: a strategic choice in family firms. Journal of Family Business Management, January. https://doi.org/10.1108/JFBM-10-2020-0096

Sugiyono. (2006). Educational Research Methods Quantitative, Qualitative and R&D Approaches, Alfabeta. Bandung: CV Alfabeta. Educational Research Methods Quantitative, Qualitative and R&D Approaches, Alfabeta, 22–29.

Turker, D. (2009). Measuring corporate social responsibility: A scale development study. Journal of Business Ethics, 85(4), 411–427. https://doi.org/10.1007/s10551-008-9780-6

Wati, E., & Malik, AQ (2021). Corporate Social Responsibility and Earnings Management: The Moderating Role of Corporate Governance. Journal of Accounting Research, Organization and Economics, 4(3), 298-307.