

# How tax avoidance and media exposure can increase CSR disclosure

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## Abstract

This research investigates the impact of media exposure and tax avoidance on the level of Corporate Social Responsibility (CSR) disclosure by companies. The study focuses on the food and beverage sector, sample of this study use 152 Financial reporting, particularly emphasizing the use of selected media platforms to ensure public acknowledgment of the company's legal standing. The findings reveal that media exposure, specifically through corporate websites as a medium for publishing CSR activities, significantly influences the extent of CSR disclosure. Conversely, the analysis shows that tax avoidance does not have a significant effect on CSR disclosure levels.

Keywords: Media Exposure, Tax Avoidance, CSR

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## INTRODUCTION

Developing countries have various regulations on the implementation and disclosure of Corporate Social Responsibility (CSR). For example, in Indonesia, CSR disclosure is regulated in Law Number 40 of 2007 concerning Limited Liability Companies (UUPT). Article 74 of the PT Law regulates the company's CSR obligations. From this regulation, it can be ascertained that companies in Indonesia are required to implement CSR, but the extent of disclosure is not clearly regulated in applicable laws. Companies have various capabilities for CSR disclosure activities, this is what triggers companies to disclose CSR with certain motivations.

CSR disclosure activities carried out by companies are a global issue that is still very interesting in the business world. Companies in running their businesses are certainly inseparable from the environmental impacts that accompany them. The problem of corporate social responsibility (CSR) is not a relatively new thing in the business world, the evolution of the concept itself has been going on for decades. On the other hand, the term environmental social responsibility or CSR itself has also changed in line with the development of the business world, politics and social development and human rights (HAM). The problem of environmental social responsibility or CSR is also influenced by the impact of globalization and the development of information technology, and all of that will reflect an understanding of the concept of environmental social responsibility.

Media exposure is a media used by companies to communicate with stakeholders in conveying information and company prospects. If a company wants to gain trust and recognition through CSR activities, then the company must have a forum to meet stakeholder needs and communicate with its stakeholders effectively (Yasin, 2020).

Another factor that is considered to be able to influence companies to disclose Corporate Social Responsibility is the company's efforts to reduce taxes known as Tax Avoidance. Research (Mashuri & Ermaya, 2020) states that if the tax aggressiveness carried out is quite large, companies tend to disclose more Corporate Social Responsibility due to loss of trust due to tax aggressiveness. In research (Wardhani & Muid, 2017) tax aggressiveness on CSR disclosure has a significant positive relationship, the greater the company's tax aggressiveness will be directly proportional to the high level of social responsibility disclosure.

Corporate social responsibility (CSR) disclosures are a global issue that remains highly relevant in the business world. Companies, in their operations, are inevitably exposed to the environmental impacts they bring. The issue of corporate social responsibility (CSR) is not a relatively new one in the business world; the concept itself has evolved over several decades. On the other hand, the term "CSR" itself has also undergone changes in line with developments in the business world, politics, social development, and human rights. The issue of CSR is also influenced by the impact of globalization and the development of information technology, all of which reflect an evolving understanding of the concept of CSR.

## **LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

### **Literature Review and Hypothesis Development**

#### **Legitimacy Theory**

Legitimacy theory is used as the underlying theory in this study. Legitimacy is the recognition of legality, in this case legality in the company is a company strategy in order to develop the sustainability of the company. At the time of operation, the company must be carried out in the norms that already exist in the environment where the company carries out operational activities (Lating et al., 2019). Legitimacy theory can also be said to be the focus of the company as a form of interaction with the community which can be a strategic factor for the company to develop the company in the future (Tampubolon & Siregar, 2019). Legitimacy helps the company's balance to improve survival and operations. In this theory, the company continuously reports environmental activities for legality efforts in the community (Ulfa, 2018). The company in carrying out tax avoidance is an indirect implementation of the legitimacy theory. The company seeks to gain recognition from the community and stakeholders for its tax obligations. The existence of tax avoidance carried out by the company can have an impact on the company's image in the community.

#### **Corporate Social Responsibility (CSR)**

Social and environmental responsibility is an important concept in the business world, referring to a company's obligation to contribute to the well-being of society and the environment around it. Corporate social responsibility (CSR) is a company's commitment to operate ethically and contribute to sustainable economic development, while improving the quality of life of employees, their families, the local community, and society at large. CSR encompasses a variety of aspects, including environmental, social, and economic responsibility (Rachim, 2021). CSR has received considerable attention from both businesses and academics (Brooks & Oikonomou, 2018; Lu & Taylor, 2016). CSR practices include any activity that involves a firm's efforts to make a positive impact on the environment and society.

#### **Media Exposure**

The media is used by the public and stakeholders as a place to see the activities carried out by the company and to provide an assessment to the company about what is done, both positive and negative (Ulfa, 2018). The media that can be used by companies to convey reports on company performance results can be through the company's official website. Some of the benefits of disclosing information through a website are facilitating interaction to receive feedback, reducing communication costs and making it easier for the public to know the company's activities in assessing which will increase reputation and trust in the community (Mashuri & Ermaya, 2020).

#### **Tax Avoidance**

Tax avoidance can have implications for the government's capacity to deliver essential services (Nozemac, 2018). Tax avoidance is a pervasive global phenomenon, and extensive research has been conducted to examine the determinants of tax avoidance from multiple perspectives in the literature. Paying corporate taxes is important because it is a direct positive involvement of the company with

the community. If the company discloses CSR, it is considered capable of suppressing tax avoidance carried out by the company (Zeng, 2018).

### **The Effect of Media Exposure towards CSR**

According to legitimacy theory, companies operate within a social contract with their surrounding communities, so their survival and sustainability are highly dependent on this social acceptance (Lako, 2014). One way companies gain and maintain legitimacy is through CSR disclosures, demonstrating transparency and communication to the public regarding their social and environmental responsibilities (Yuliani, 2019). The media plays a crucial role in legitimacy theory because it can broaden the reach of information companies convey to the public, thereby increasing public pressure on companies to disclose CSR information more fully and honestly (Mashuri & Ermaya, 2020; Andreas & Chang, 2021).

Based on this, media exposure is believed to increase the intensity and quality of a company's CSR disclosure. With greater media exposure, companies are encouraged to demonstrate a concrete commitment to the public in order to maintain and strengthen their social legitimacy (Yuliani, 2019; Paananen et al., 2021). Empirical studies also support this by finding a positive and significant influence of media exposure on CSR disclosure (Yuliani, 2019; Mashuri & Ermaya, 2020; Andreas & Chang, 2021).

Rachim (2021) revealed in his research that companies use media as a means of disclosure that is expected to provide long-term benefits to the company. When a company has adequate means of disclosure through media, the company will not hesitate to disclose CSR. Media exposure is expected to provide information to external parties so that the company can receive public trust and can improve the company's image. Media Exposure can have a positive effect by showing the activities carried out by the company as well as transparency in environmental, social, economic accountability and paying attention to the surrounding community (Mashuri & Ermaya, 2020).

H1 : Media exposure has a positive effect on CSR disclosure

### **The effect of Tax Avoidance toward CSR Disclosure**

According to legitimacy theory, companies strive to maintain their social legitimacy by adapting their actions and reporting to align with societal norms, values, and expectations (Lako, 2014). In this context, tax avoidance—a legal but controversial practice—can pose a legitimacy risk if perceived as detrimental to the public interest and damaging the company's image (Prasetya et al., 2024). Therefore, companies tend to increase CSR disclosure as a strategy to strengthen social legitimacy and demonstrate a commitment to social responsibility, while simultaneously offsetting negative perceptions of tax avoidance (Rahma et al., 2024; Widiyanti & Prasetyo, 2023).

Empirical studies by Prasetya et al. (2024) and Rahma et al. (2024) found that CSR disclosure negatively impacts tax avoidance levels, meaning that the higher the CSR transparency, the lower the company's tax avoidance practices. However, there are also findings indicating a positive relationship between CSR and tax avoidance as a tax burden management strategy (Wahyuningsih, 2025). This indicates that the relationship between tax avoidance and CSR disclosure can be complex and contextual.

Paying corporate taxes is important because it is a direct positive involvement of the company with the community. If the company discloses CSR, it is considered capable of reducing tax avoidance carried out by the company (Zeng, 2018). In his research, Rachim (2021) revealed that when a company does not carry out tax avoidance, the company is considered to have no legitimacy, so that with the disclosure of CSR it is hoped that it can increase the public's assessment of the company.

H2 : Tax Avoidance has a negative effect on CSR disclosure

## **METHODS**

The data collection method in this study uses secondary data using multiple linear regression analysis. This study uses a population of food and beverage sector companies listed on the Indonesia Stock

Exchange (IDX) for the period 2021 - 2024, the total sample in this study was 152 samples. Determination of the sample in this study used purposive sampling, with several parameters to assess sample selection, including: the company published its financial reports during 2021 and 2024, the company has complete data related to tax avoidance testing, and the company has an official website.

This consider employments a different straight examination. This analyze the impact of the variables Media Exposure (X1) and Tax Avoidance (X2) on the variable CSR Disclosure (Y). The following equation is obtained from these variables :

$$CSRd = a + \beta_1ME + \beta_2 TAv + e$$

Information:

CSRd = CSR Disclosure

a = Constant

$\beta_1, \beta_2$  = Regression coefficient of the independent variable

ME = Media Exposure

TAv = Tax Avoidance

e = Error Term

**Theoretical Framework**

The theoretical framework of this study is as below

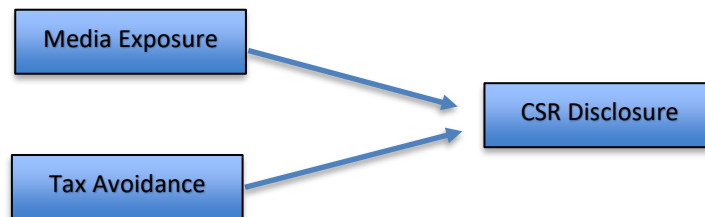


Figure 1. Conceptual Framework

**RESULT AND DISCUSSION**

The first process carried out is the collection of secondary data in the form of annual financial reports of companies in the Food and Beverage sector. From these financial reports, data is processed to obtain data to measure the level of company tax avoidance and the level of CSR disclosure carried out by the company. For further data acquisition in measuring Media Exposure, a dumm variable is used, where companies that disclose CSR on the company's official website media are given a value = 1, and those that do not disclose through the official website media are given a value = 0. Tax avoidance measurement uses the ETR ratio, where the higher the ETR ratio, the lower the tax avoidance carried out by the company. To measure CSR disclosure, use GRI items with a score of 1 for each item disclosed.

Model		t	Sig.	Tolerance	VIF
1	(Constant)	21,011	,000		
	ETR	,978	,330	,948	1,055
	ME	4,890	,000	,948	1,055
a. Dependent Variable: CSRd					

The test results show a Tolerance value above 0.1 which means that there is no correlation between independent variables. And the VIF value is not above 10, it can be concluded that there is no multicollinearity between independent variables. Based on the results of the classical assumption test, it is concluded that the data is relevant to be used as test data. The hypothesis test found that the

ETR variable has a significance value of 0.330, which means that the value is  $> 0.05$ , which means that the second hypothesis is rejected. While the significance value for the ME variable is 0.000, which means that the first hypothesis is accepted.

Based on the results of the hypothesis test, it was found that the exposure media chosen by the company in the form of publication of CSR activity disclosures through the company's official website has a significant positive effect on CSR disclosure. When a company discloses CSR activities on the company's official website, the company will be more motivated to make disclosures. In accordance with the legitimacy theory where companies carry out CSR activities to gain legitimacy from the public through publication on the company's website media. The results of this test are in line with the research of Yuliskasani (2018) and Rachim (2021) which revealed that companies will choose the right exposure media to disclose CSR activities to obtain good assessments from their stakeholders.

The Tax Avoidance variable proxied by the ETR ratio provides an overview of the company's tax avoidance through how much the company pays its tax bill compared to its pre-tax profit. In this study, the ETR variable does not have a significant effect on CSR disclosures made by the company. In line with research by Rachim (2021), Rifki (2016), Ramadhan & Amrin, (2019), Sinaga (2020), and Rini et al., (2015). In this study, tax avoidance is not indicated by the company because the average ETR value shows  $>25\%$  of the tax paid by the company, so it is unable to legitimize the company to disclose CSR.

## CONCLUSION

Through the testing conducted in this study, it can be concluded that:

1) The Media Exposure variable has a significant positive effect on CSR disclosures made by companies. In accordance with the underlying legitimacy theory, companies will publish CSR activities through the company's website media with the aim of gaining recognition from the public and company stakeholders. The more companies publish CSR activities, the more extensive CSR activities will be carried out in the future. 2) The ETR variable, which is a proxy for tax avoidance, does not have a significant effect on CSR disclosures. This means that the level of tax avoidance carried out by companies does not affect the extent of the company's CSR disclosure.

Suggestions for future research that can be submitted are to increase the measurement area for media exposure, so that the research results will be more objective and in-depth, because the results will be obtained on how companies disclose the extent of disclosure to external parties. The second suggestion is related to corporate tax avoidance, the use of the ETR ratio may still be considered too broad, because it does not see how tax management utilizes tax incentives. In further research, it is hoped that other relevant measurements can be used.

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