



Analysis of Environmental Performance and Tax Aggressiveness on CSR Disclosure: A Study of PROPER KLH Companies in the Indonesian Sharia Stock Index 2017-2022

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Abstract

This study investigates the factors influencing Corporate Social Responsibility (CSR) disclosure among companies listed in the PROPER KLH within the Indonesian Sharia Stock Index (ISSI) from 2017 to 2022. Utilizing a quantitative approach, the research employs secondary data and panel data regression analysis. The results reveal that environmental performance, company age, and tax aggressiveness significantly affect CSR disclosure, as measured by the Global Reporting Initiative (GRI) index. These findings underscore the crucial role of these factors in shaping a company's commitment to social and environmental responsibilities, while also highlighting the complex dynamics between corporate actions and their environmental impact. Companies with strong environmental performance not only contribute positively to the planet but also enhance their long-term reputation. The relationship between tax aggressiveness and CSR disclosure suggests a significant interplay between financial strategies and ethical considerations in corporate decision-making. This underscores the need for a comprehensive approach to corporate governance that integrates financial objectives with ethical responsibilities. Consequently, policymakers and stakeholders should leverage these insights to develop more effective regulations and incentives that promote responsible corporate conduct.

Kata Kunci:

Kinerja Lingkungan; Umur Perusahaan; Agresivitas Pajak

Abstrak

Penelitian ini bertujuan untuk menganalisis faktor-faktor yang mempengaruhi pengungkapan Tanggung Jawab Sosial Perusahaan (CSR) di antara perusahaan-perusahaan yang terdaftar dalam PROPER KLH di Indeks Saham Syariah Indonesia (ISSI) dari tahun 2017 hingga 2022. Dengan menggunakan pendekatan kuantitatif, penelitian ini memanfaatkan data sekunder dan analisis regresi data panel. Hasil penelitian menunjukkan bahwa kinerja lingkungan, umur perusahaan, dan agresivitas pajak secara signifikan mempengaruhi pengungkapan CSR, yang diukur dengan indeks Global Reporting Initiative (GRI). Temuan ini menyoroti peran penting dari faktor-faktor tersebut dalam membentuk komitmen perusahaan terhadap tanggung jawab sosial dan lingkungan, sekaligus menunjukkan dinamika kompleks antara tindakan perusahaan dan dampaknya terhadap lingkungan. Perusahaan dengan kinerja lingkungan yang baik tidak hanya memberikan kontribusi positif terhadap planet ini, tetapi juga meningkatkan reputasi jangka panjang mereka. Hubungan antara agresivitas pajak dan pengungkapan CSR menunjukkan adanya keterkaitan yang signifikan antara strategi keuangan dan pertimbangan etis dalam pengambilan keputusan perusahaan. Hal ini menggarisbawahi perlunya pendekatan menyeluruh dalam tata kelola perusahaan yang mengintegrasikan tujuan keuangan dengan tanggung jawab etis. Oleh karena itu, pembuat kebijakan dan pemangku kepentingan harus memanfaatkan wawasan ini untuk mengembangkan regulasi dan insentif yang lebih efektif guna mendorong perilaku perusahaan yang bertanggung jawab.

INTRODUCTION

Corporate Social Responsibility (CSR) is defined as action or initiatives undertaken by the company to meet obligation their impact on society and the environment. The company's commitment to improving social welfare and addressing environmental challenges is reflected in these efforts.¹ Stakeholders and decision makers receive communication about these initiatives through CSR disclosures, which play a critical role in providing an understanding of the company's activities and impacts.

The main challenge faced is the effort to ensure that CSR activities are not only implemented but also known to all stakeholders. Factors that affect the level of accountability between organizations stem from the common problems with CSR reporting and the standards that govern it. In addition, companies often have difficulty in aligning CSR practices. When businesses try to balance their social and environmental responsibilities with financial gain, there is a conflict between the need to maintain finances and the desire to be seen as socially responsible. Companies are expected to be actively involved in environmental (planet) preservation and social (people) welfare while maintaining profitability (profit) in accordance with the triple bottom line concept, which emphasizes three main pillars: profit, people, and planet.² To achieve long-term success, companies must carry out CSR actions that are aligned with these three aspects to maintain their operations and achieve long-term success.

The main objective of this study is to assess CSR activities using the Global Reporting Initiative (GRI) standards.³ These standards provide a robust framework that helps organizations report on social and environmental impacts. Using the GRI-G4 standards, which divide performance indicators into social, environmental, and economic categories, this study examines the relationship between CSR practices and broader ethical considerations. Specifically, this study focuses on Islamic businesses, where CSR is considered not only as a business obligation but also as a moral and religious duty. Islamic business reporting focuses on ensuring that companies comply with Sharia law.

This goes beyond the traditional purpose of corporate reporting in the Western framework, which focuses more on providing information to support economic decision-making. From an Islamic perspective, CSR is seen as a form of atonement where companies that have harmed society or the environment attempt to atone for it through CSR initiatives.

¹ Ika Candra Dewi and Fadilla Cahyaningtyas, "Determinan Pengungkapan Corporate Social Responsibility : Studi Empiris Pada Perusahaan Makanan Dan Minuman Di BEI," *Jurnal Penelitian Teori & Terapan Akuntansi (PETA)* 7, no. 2 (2022): 179–89, <https://doi.org/10.51289/peta.v7i2.561>; Dyah Hayu Pradipta and Supriyadi, "Pengaruh Corporate Social Responsibility (CSR), Profitabilitas, Leverage, Dan Komisaris Independen Terhadap Praktik Penghindaran Pajak," *Kompartemen Jurnal Ilmiah Akuntansi* XV, no. 1 (2015): 1–25, [http://lib.ibs.ac.id/materi/Prosiding/SNA XVIII/makalah/123.pdf](http://lib.ibs.ac.id/materi/Prosiding/SNA%20XVIII/makalah/123.pdf).

² Omamuyovwi Gbejewoh, Saskia Keesstra, and Erna Blancquaert, "The 3Ps (Profit, Planet, and People) of Sustainability amidst Climate Change: A South African Grape and Wine Perspective," *Sustainability* 13, no. 5 (March 8, 2021): 2910, <https://doi.org/10.3390/su13052910>; Pradipta and Supriyadi, "Pengaruh Corporate Social Responsibility (CSR), Profitabilitas, Leverage, Dan Komisaris Independen Terhadap Praktik Penghindaran Pajak."

³ The GRI Index, "Global Reporting Initiative Standards," accessed August 8, 2022, <https://www.globalreporting.org/>.

However, the harm that occurs is often much greater than what can be repaired through CSR efforts, raising doubts about the effectiveness and sincerity of these initiatives.⁴

The principles of benevolence and honesty are very prominent in the concept of CSR in Islamic business practices. These principles are considered important to guide companies in implementing authentic CSR, which encourages social innovation and sustainable development.⁵ However, most of the literature about ethics business tend ignore connection between theory ethics and standards CSR. A more holistic approach integrated is needed, which expands not quite enough answer fiduciary to all stakeholders' interests and ensure that the company No abuse power they as well as treat all parties fairly. One approach that can be used is a voluntary CSR model based on virtue and contract social.⁶ Framework clear work for management strategic and governance company provided by this model, which encourages companies to align practice business they are of standard more ethics wide. Adoption CSR Strategic Management Standards by companies can create internal incentives for compliance, which ultimately closing the gap between commitment company and hope stakeholders' interests. The authenticity and effectiveness of CSR initiatives can be enhanced by integrating virtue like virtue and honesty into CSR practices, which will also encourage a sense of responsibility answer deeper social and contribute to development sustainable.

In Islamic business context, CSR is seen not only as efforts to improve loss, but as an integral part of every business process. Selection material standard that is not endanger consumers, ensuring condition humane work, and avoid all form injustice in the production process is part from not quite enough answer social company. In addition, responsible businesses answer in a way social also pays attention to the wider social impact wide from product they, including consider long-term consequences for society and the environment. Among authentic Muslim entrepreneurs, it is hoped that the interest's business they must balance with expectations stakeholders interest human and divine, prioritizing social and economic goals, moral obligations, and standard ethics.⁷

Environmental performance is considered as aspect main in CSR, which reflects results measurable from effort company in handling problem environment. The Company Performance Rating Assessment Program (PROPER) is used by the Indonesian government to evaluate companies' environmental performance.⁸ Public reports are provided periodically

⁴ Mara Del Baldo, "Authentic CSR and Leadership: Towards a Virtues-Based Model of Stakeholder Dialogue and Engagement. The Loccioni Group Experience," 2017, 179–203, https://doi.org/10.1007/978-3-319-43536-7_9; Mara Del Baldo, "Beyond CSR: The Virtues-Based Approach to Corporate Responsibility and Sustainability in Italian SMEs," *International Journal of Environment and Health* 7, no. 4 (2015): 394, <https://doi.org/10.1504/IJENVH.2015.077132>; Mihaela Constantinescu and Muel Kaptein, "CSR Standards and Corporate Ethical Virtues: A Normative Inquiry into the Way Corporations Integrate Stakeholder Expectations," 2015, 159–80, https://doi.org/10.1007/978-3-319-10909-1_8.

⁵ Francisco José Gomes da Silva and Ronny Miguel Gouveia, "Tracking Environmental Performance," in *Cleaner Production* (Cham: Springer International Publishing, 2020), 401–20, https://doi.org/10.1007/978-3-030-23165-1_10.

⁶ Gomes da Silva and Gouveia; Baldo, "Beyond CSR: The Virtues-Based Approach to Corporate Responsibility and Sustainability in Italian SMEs."

⁷ Muhlisin Muhlisin and Muhammad Sofyan Budiarto, "Environmental CSR in Industrial Cities: A Collaborative Governance Approach," *International Journal of Innovation, Management and Technology* 14, no. 2 (2023): 64–69, <https://doi.org/10.18178/ijimt.2023.14.2.939>;

⁸ Andreani Hanjani and Rr. Karlina Aprilia Kusumadewi, "Environmental Performance and Financial Performance: Empirical Evidence from Indonesian Companies," *Corporate Social Responsibility and Environmental Management* 30, no. 3 (May 26, 2023): 1508–13, <https://doi.org/10.1002/csr.2433>; Kuat Waluyo Jati et al., "The Effect of Environmental Performance on Sustainability

by this program, which can significantly affect a company's reputation based on the results of this assessment. Companies are given a PROPER rating based on their compliance with environmental regulations, with scores ranging from black, meaning very poor, to gold, meaning excellent. Companies with low scores can suffer reputational damage, while companies with good environmental performance can increase stakeholder trust and improve their CSR disclosure. With companies being evaluated based on their financial performance and environmental impact, environmental accountability becomes an important part of CSR. The PROPER program adheres to green economy principles and environmental regulations, covering areas such as biodiversity conservation, emission control, and energy and water resource management. Companies that improve their environmental performance could increase their CSR coverage and disclosure. Ultimately, this will make the company more transparent and reliable to stakeholders.⁹

The literature has shown that CSR disclosure and environmental performance are closely related. However, the strength of this relationship is still debated, as some studies have found no correlation. In addition, this study suggests that variables such as the age of the firm and how they consider tax planning can influence customer service (CSR) disclosure. Older firms, for example, may be more transparent in their CSR reporting because they have more established CSR practices.

RESEARCH METHODS

A total of 30 companies (see table 1) that were included in the PROPER KLH rankings of the Ministry of Environment and Forestry and are included on the Indonesian Sharia Stock Index (ISSI) during the period 2017-2022 constitute the population for this study. The following constitute the sample criteria: (i) the organization maintains a continuous listing on the Indonesian Sharia Stock Index from 2017 to 2022, or has not been delisted during that time period; (ii) the organization participates in PROPER KLH and furnishes data on corporate social responsibility (CSR) implementation from 2017 to 2022; (iii) organizations that disclose comprehensive CSR information, annual reports, and sustainability reports for the aforementioned time frame; and (iv) organizations that possess unaltered data pertaining to the variables utilized in the research.

Panel data regression analysis is utilized to analyze the data. Assemblies of time series and cross-sectional data are referred to as panel data. Consequently, the information is acquired through the repetitive observation of cross-sections of identical unit objects at various time intervals. An assemblage of various objects throughout the temporal span is

Reporting: A Case of Indonesia," *Environmental Economics* 14, no. 1 (March 16, 2023): 36–46, [https://doi.org/10.21511/ee.14\(1\).2023.04](https://doi.org/10.21511/ee.14(1).2023.04); Kamelia Wardatul Azdra, Ifan Wicaksana Siregar, and Vicky Dzaky Cahaya, "The Effect of Environmental Performance and Company Size on The Company's Financial Performance," *Portofolio: Jurnal Ekonomi, Bisnis, Manajemen, Dan Akuntansi* 20, no. 1 (May 31, 2023): 28–41, <https://doi.org/10.26874/portofolio.v20i1.280>.

⁹ Abeer Hassan and Xin Guo, "The Relationships between Reporting Format, Environmental Disclosure and Environmental Performance," *Journal of Applied Accounting Research* 18, no. 4 (November 13, 2017): 425–44, <https://doi.org/10.1108/JAAR-06-2015-0056>; Antonio D'Amato and Camilla Falivena, "Corporate Social Responsibility and Firm Value: Do Firm Size and Age Matter? Empirical Evidence from European Listed Companies," *Corporate Social Responsibility and Environmental Management* 27, no. 2 (March 3, 2020): 909–24, <https://doi.org/10.1002/csr.1855>.

thereby represented. For the purpose of determining which model to employ, the Hausman test is utilized to compare the Fixed Effect Model and Random Effect Model.¹⁰ When the Hausman statistic surpasses the critical value, it is most applicable to employ the fixed effect model. The Random Effect Model can continue to function effectively even if the Hausman statistic is below the critical value.

Table 1. List of Companies

No	Company Code	Company Name
1	ADES	Akasha Wira Tbk.
2	MYOR	Mayora Indah Tbk
3	ICBP	Indofood CBP Sukses Makmur
4	ROTI	Nippon Indosari Corpindo Tbk
5	ULTJ	Ultra Jaya Milk Industry & Trading Company Tbk.
6	JPFA	Japfa Comfeed Indonesia Tbk.
7	UNVR	Unilever Indonesia
8	SIDO	Industri Jamu Dan Farmasi Sido Muncul
9	BUDI	Budi Starch & Sweetener Tbk
10	CAMP	Campina Ice Cream Industry Tbk.
11	CEKA	Wilmar Cahaya Indonesia Tbk.
12	GOOD	Garuda Food Putra Putri Tbk
13	STTP	Siantar Top
14	ADRO	PT Adaro Energy Tbk.
15	ANTM	PT Aneka Tambang (Persero) Tbk.
16	INCO	PT Vale Indonesia Tbk.
17	PTBA	PT Tambang Batubara Bukit Asam
18	GDST	PT Gunawan Dianjaya Steel Tbk.
19	AFMG	PT Asahimas Flat Glass Tbk.
20	CPIN	Charoen Pokphand Indonesia Tbk
21	INTP	PT Indocement Tunggal Prakarsa Tbk.
22	UNTR	PT United Tractors Tbk.
23	BUKK	Bukaka Teknik Utama Tbk.
24	KLBF	PT. Kalbe Farma, Tbk
25	KAEF	PT Kimia Farma (Persero) Tbk -
26	PEHA	PT Phapros Tbk
27	DILD	PT Intiland Development Tbk.
28	KIJA	PT Kawasan Industri Jababeka Tbk.
29	LPCK	PT Lippo Cikarang Tbk.
30	ECII	PT Electronic City Indonesia Tbk.

Source: Bursa Efek Indonesia, "Indeks Saham Syariah," Bursa Efek Indonesia, n.d., <https://www.idx.co.id/id/idx-syariah/indeks-saham-syariah>.

¹⁰ Shahram Amini et al., "Fixed vs Random: The Hausman Test Four Decades Later," 2012, 479–513, [https://doi.org/10.1108/S0731-9053\(2012\)0000029021](https://doi.org/10.1108/S0731-9053(2012)0000029021). Shahram Amini et al., "Fixed vs Random: The Hausman Test Four Decades Later," 2012, 479–513, [https://doi.org/10.1108/S0731-9053\(2012\)0000029021](https://doi.org/10.1108/S0731-9053(2012)0000029021).

In this study, Corporate Social Responsibility (Y), as defined by the GRI G4 guidelines, serves as the dependent variable. Indicators for CSR disclosure, encompassing economic, social, and environmental dimensions, are delineated in the GRI G4 guidelines. The G4 guidelines comprise 91 indicators in total. An item is assigned a score of 1 if it is disclosed by the company, and a score of 0 if it is not disclosed. The following are the independent variables utilized in this study: (i) Environmental Performance (EP): This metric is derived from the ranking or performance of companies that participated in the PROPER (Company Performance Rating Assessment Program) between 2017 and 2022, as determined by the Ministry of Environment and Forestry. (ii) Company Age (CA): This is calculated by deducting the time since the company was founded from the duration of the study period. A company's level of expertise in disclosing CSR information increases with its age; (iii) Tax Aggressiveness (TA) is assessed through the utilization of Effective Tax Rates (ETR) as a surrogate. A reduced ETR value signifies a greater propensity for tax evasion on the part of the organization. A low ETR may result from a company's tax aggressive actions in an effort to minimize taxable income while maintaining profit margins.

RESULTS AND DISCUSSION

Statistical Results

Table 2 presents the preferred model selection by using Chow and Hausman test. The determination of Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) is performed utilizing three model estimating methodologies. The Chow Test is used to ascertain the appropriate model choice between the Common Effect and Fixed Effect models, while the Hausman Test is utilized to establish the optimal model selection between the Random Effect and Fixed Effect models. Furthermore, the Lagrange Multiplier (LM) testing approach is used to ascertain the appropriate model choice between Common Effect and Random Effect. After analyzing the data using Chow and Hausman tests, it has been determined that the most suitable regression model for this study is the Fixed Effect Model.

Table 2. Preferred Model Selection

Chow test	
Cross-section F	12.092***
Cross-section Chi-square	219.508***
Hausman test	
Cross-section random	91.593***

Notes: *, **, *** represent significance levels at 10%, 5%, and 1%, respectively.

Source: Data processed by the author, (2024)

Table 3 shows the result of panel data estimation. The adjusted coefficient of determination, also known as adjusted R^2 (adjusted R-squared) is constructed with the intention of determining the degree to which independent factors contribute to the dependent variable. Taking into consideration the findings shown in table 3, the value of the

Adjusted R-Squared is 0.6915. As a result, the independent variables, which are referred to as Environmental Performance (EP), Company Age (CA), and Tax Aggressiveness (TA), are able to explain their association with CSR Disclosure using the GRI Index by 69.15%. The remaining 30.85% of the relationship is explained by other factors that are not examined in this research.

Furthermore, the critical nature of environmental performance evaluation public disclosures is underscored, as they significantly impact the reputation and community standing of an organization. This level of transparency inspires confidence and trust among stakeholders, including investors, consumers, and regulatory bodies, in addition to promoting accountability. Companies exhibit their dedication to sustainable practices and encourage critical examination and input regarding their environmental performance by publishing extensive details.¹¹ Such disclosure can stimulate additional advancements and novel approaches in their corporate social responsibility endeavors. As a result, the incorporation of comprehensive environmental performance assessments into CSR disclosures not only promotes greater openness but also actively encourages the development of a more conscientious and sustainable business culture.

Table 3. Panel Data Estimation

Variable	CEM	FEM	REM
EP	0.127***(0.047)	0.114**(0.052)	0.160***(0.046)
CA	0.004***(0.001)	0.091***(0.009)	0.006***(0.001)
TA	0.197*(0.115)	0.215***(0.073)	0.224***(0.073)
Constant	2.573***(0.180)	-1.868***(0.474)	2.338***(0.178)
Number of observations	180	180	180
Number of companies	30	30	30
Adjusted R-squared	0.128	0.692	0.111
F-stat	9.744***	13.541***	8.418***

Notes: *, **, *** represent significance levels at 10%, 5%, and 1%, respectively. Numbers in parentheses are standard errors.

Source: Data processed by the author, (2024)

Examination of a company's environmental performance can serve as a means to assess its adherence to national norms and values, in accordance with legitimacy theory. In pursuit of legitimacy, businesses are obligated to provide public evidence that their operations have been conducted in accordance with their established standards and principles. There is a positive correlation between the level of environmental performance and the likelihood that a company will disclose this information to the public for the purpose

¹¹ A N Rakhiemah and D Agustia, "Pengaruh Kinerja Lingkungan Terhadap Corporate Social Responsibility (CSR) Disclosure Dan Kinerja Finansial Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia," Simposium Nasional Akuntansi XII, 2012.

of informing them.¹²

The correlation between Corporate Social Responsibility (CSR) disclosure, as gauged by the GRI index, and a company's age is a significant and positive one. Research consistently shows that older companies tend to demonstrate a higher level of CSR disclosure compared to their newer counterparts. This relationship stems from the notion that as companies mature over time, they accumulate experience and resources that enable them to prioritize and integrate social responsibility into their operations more effectively.

Environmental Performance and CSR Disclosure

There is a significant and positive relationship between environmental performance and CSR disclosure.¹³ The study states that increasing a company's environmental performance will be followed by increasing CSR disclosure, and vice versa. This means that companies that strive to improve environmental performance tend to be more transparent in disclosing their CSR information. Transparency in environmental performance assessment is not only important as an internal evaluation tool, but also affects the company's image and reputation in the eyes of the public.

Within the framework of legitimacy theory, the important role of environmental performance is increasingly evident. This theory proposes that in order to remain legitimate in society, companies must operate in accordance with prevailing norms and values. Good environmental performance allows companies to demonstrate that they are operating in accordance with the expectations of established standards. Therefore, companies with high environmental performance are more likely to convey information related to this performance to the public as a form of communication that demonstrates their responsibility towards the environment.¹⁴

However, not all studies reach the same conclusion. For example, it was found that environmental performance did not have a significant effect on CSR disclosure. It explained that even though companies have good environmental performance, this is not always

¹² Cornelius Tegar Prasetyo, Susi Sarumpaet, and Yenni Agustina, "The Effect of Environmental Performance, Company Characteristics and Media Exposure on Environmental Disclosures (Study of Manufacturing Companies Listed on the Indonesia Stock Exchange for the Period 2010-2021)," *International Journal of Research Publication and Reviews* 04, no. 02 (2023): 1149–57, <https://doi.org/10.55248/gengpi.2023.4225>; Rakhiemah and Agustia, "Pengaruh Kinerja Lingkungan Terhadap Corporate Social Responsibility (CSR) Disclosure Dan Kinerja Finansial Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia." Cornelius Tegar Prasetyo, Susi Sarumpaet, and Yenni Agustina, "The Effect of Environmental Performance, Company Characteristics and Media Exposure on Environmental Disclosures (Study of Manufacturing Companies Listed on the Indonesia Stock Exchange for the Period 2010-2021)," *International Journal of Research Publication and Reviews* 04, no. 02 (2023): 1149–57, <https://doi.org/10.55248/gengpi.2023.4225>; Rakhiemah and Agustia, "Pengaruh Kinerja Lingkungan Terhadap Corporate Social Responsibility (CSR) Disclosure Dan Kinerja Finansial Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia."

¹³ Lewis Liu, "Environmental Performance Factors: Insights from CSR-Linked Compensation, Committees, Disclosure, Targets, and Board Composition," *Journal of Sustainable Finance & Investment*, February 5, 2024, 1–36, <https://doi.org/10.1080/20430795.2024.2313497>; Chuang Wu and Alfred Marcus, "Mandatory CSR Disclosure Regulation, Sustainable Operations Strategies, and Environmental Innovation," *Academy of Management Proceedings* 2023, no. 1 (August 2023), <https://doi.org/10.5465/AMPROC.2023.13471abstract>.

¹⁴ Wu and Marcus, "Mandatory CSR Disclosure Regulation, Sustainable Operations Strategies, and Environmental Innovation"; Rahandhika Ivan Adyaksana and Vidya Vitta Adhivinna, "Does Environmental Information Disclosure Mediate the Effect of Environmental Cost on Environmental Performance?," *KnE Social Sciences*, September 28, 2022, <https://doi.org/10.18502/kss.v7i14.12024>.

followed by better CSR disclosure.¹⁵ One of the reasons given is that companies with high PROPER scores may feel no need to disclose their CSR information in detail, because this recognition has been given by the government through the PROPER assessment.

Thus, although many studies show a positive relationship between environmental performance and CSR disclosure, there are also studies that find different results. This variation may be due to differences in company context, industry type, or other external factors that influence companies' decisions to disclose CSR information. This shows that the relationship between environmental performance and CSR disclosure is quite complex and not always uniform.¹⁶ Companies must consider various factors in formulating their CSR disclosure strategies, including how their environmental performance affects public and stakeholder perceptions.

Company Age and CSR Disclosure

Companies that have been operating for a longer period of time tend to have more experience and maturity in various operational aspects, including in terms of disclosing their social responsibility.¹⁷ Established businesses have more opportunities to develop mature practices and strategies in terms of CSR, as they have been dealing with various challenges and industry dynamics for years. This experience allows older companies to not only understand the importance of CSR, but also how to convey it effectively to the public.

Older companies have usually gone through various phases of development, from the initial establishment stage to the expansion and stabilization stage. In this process, they interact with various stakeholders, including the government, the community, and the environment. This ongoing interaction strengthens the company's awareness of the importance of social responsibility, which is then reflected in the increasing quality and quantity of their CSR disclosures.¹⁸ More experienced companies also tend to have greater resources, both financial and human resources, which allows them to run CSR programs

¹⁵ Fera Damayanti et al., "Environmental Performance Dan Pengungkapan CSR Terhadap Finacial Performance Perusahaan Manufaktur Di BEI," *Eksos* 19, no. 1 (June 30, 2023): 97–113, <https://doi.org/10.31573/eksos.v19i1.561>; Pricilia Sukarno Putri and Bambang Hadinugroho, "Corporate Social Responsibility Disclosure and Ownership Structure: Moderating Effect of Environmental Performance," *Assets: Jurnal Ekonomi, Manajemen Dan Akuntansi* 13, no. 2 (December 4, 2023): 275–94, <https://doi.org/10.24252/assets.v13i2.42432>; Alya Susanto and Shiddiq Nur Rahardjo, "The Role of Environmental Performances in Determining Financial Performances through Corporate Social Responsibility," *Jurnal REKSA: Rekayasa Keuangan, Syariah Dan Audit* 9, no. 1 (March 31, 2022): 1–10, <https://doi.org/10.12928/jreksa.v9i1.4881>; Sirlil Anillah, Ratna Septiyanti, and Yenni Agustina, "The Effect of Enterprise Risk Management and Environmental Performance Toward Corporate Social Responsibility Disclosure (CSR): Study in Mining Sector," *Jurnal Manajemen Bisnis, Akuntansi Dan Keuangan* 2, no. 1 (May 15, 2023): 1–12, <https://doi.org/10.55927/jambak.v2i1.4087>.

¹⁶ Pricilia Sukarno Putri and Hadinugroho, "Corporate Social Responsibility Disclosure and Ownership Structure: Moderating Effect of Environmental Performance"; Anillah, Septiyanti, and Agustina, "The Effect of Enterprise Risk Management and Environmental Performance Toward Corporate Social Responsibility Disclosure (CSR): Study in Mining Sector."

¹⁷ Shafat Maqbool, Nayan Mitra, and Asiya Chaudhury, "Corporate Social Responsibility Reporting in the Post-Mandate Period: An In-Depth Content Analysis of Indian Top-Listed Companies," 2022, 9–24, https://doi.org/10.1007/978-981-16-7614-7_2; Kamaludin Kamaludin et al., "CSR Performance and CSR Disclosure Persistency: Empirical Evidence of the US Hypercompetitive Industry," *Contaduría y Administración* 67, no. 2 (March 23, 2022): 335, <https://doi.org/10.22201/fca.24488410e.2022.3231>; Niki Glaveli et al., "Assessing the Maturity of Sustainable Business Model and Strategy Reporting under the CSR Shadow," *Journal of Risk and Financial Management* 16, no. 10 (October 16, 2023): 445, <https://doi.org/10.3390/jrfm16100445>.

¹⁸ Kamaludin et al., "CSR Performance and CSR Disclosure Persistency: Empirical Evidence of the US Hypercompetitive Industry."

better and document them more comprehensively.

In addition, long-standing businesses tend to have a stronger commitment to CSR disclosure. This could be because these companies have been operating under the public spotlight for a long time, so they have a greater need to maintain their image and reputation.¹⁹ CSR disclosure is one way to prove that they are not only focused on profit, but also care about the social and environmental impacts of their operations. With longer experience, these companies have also developed more solid relationships with the media, which makes it easier for them to convey CSR information through various communication channels.²⁰

However, not all studies agree with this finding. Company age does not have a significant effect on CSR disclosure.²¹ Companies that have been established for a long time often do not feel the need to disclose detailed social information in their annual reports, because this information is usually conveyed through other media such as magazines, company websites, or other communication channels. For these companies, disclosing social information may have become part of a routine that is widely known by the public, so that it no longer needs to be included in detail in the annual report.

On the other hand, younger companies tend to see CSR disclosure as an important element to build and maintain their business sustainability. These companies realize that in the modern era, transparency and social responsibility are the keys to winning the trust of consumers and other stakeholders.²² Thus, they tend to be more active in disclosing CSR information, both to build their reputation and to meet the increasingly critical market expectations on social and environmental issues.

Consequently, despite differing views in the literature on the relationship between firm age and CSR disclosure, most studies support the idea that older firms tend to have better CSR disclosure. This suggests the importance of experience and long-term commitment in managing corporate social responsibility.

Tax Aggressiveness and CSR Disclosure

Negative public perception of a company has the potential to diminish the legitimacy of the company, which can ultimately threaten its survival. In an effort to maintain legitimacy and

¹⁹ Glaveli et al., "Assessing the Maturity of Sustainable Business Model and Strategy Reporting under the CSRD Shadow."

²⁰ Maqbool, Mitra, and Chaudhury, "Corporate Social Responsibility Reporting in the Post-Mandate Period: An In-Depth Content Analysis of Indian Top-Listed Companies." Maqbool, Mitra, and Chaudhury, "Corporate Social Responsibility Reporting in the Post-Mandate Period: An In-Depth Content Analysis of Indian Top-Listed Companies."

²¹ Dewan Mahboob Hossain et al., "Gender-Related Discourses in Corporate Annual Reports: An Exploratory Study on the Bangladeshi Companies," *Journal of Accounting & Organizational Change* 17, no. 3 (June 1, 2021): 394–415, <https://doi.org/10.1108/JAOC-01-2020-0006>; I. V. Legasova, "Social Indicators in Russian Company Reports," *Siberian Financial School*, no. 2 (August 22, 2023): 137–42, <https://doi.org/10.34020/1993-4386-2023-2-137-142>; Radka MacGregor Pelikánová, "Corporate Social Responsibility Information in Annual Reports in the EU—A Czech Case Study," *Sustainability* 11, no. 1 (January 5, 2019): 237, <https://doi.org/10.3390/su11010237>. Dewan Mahboob Hossain et al., "Gender-Related Discourses in Corporate Annual Reports: An Exploratory Study on the Bangladeshi Companies," *Journal of Accounting & Organizational Change* 17, no. 3 (June 1, 2021): 394–415, <https://doi.org/10.1108/JAOC-01-2020-0006>; I. V. Legasova, "Social Indicators in Russian Company Reports," *Siberian Financial School*, no. 2 (August 22, 2023): 137–42, <https://doi.org/10.34020/1993-4386-2023-2-137-142>; Radka MacGregor Pelikánová, "Corporate Social Responsibility Information in Annual Reports in the EU—A Czech Case Study," *Sustainability* 11, no. 1 (January 5, 2019): 237, <https://doi.org/10.3390/su11010237>.

²² Legasova, "Social Indicators in Russian Company Reports." Legasova, "Social Indicators in Russian Company Reports."

reduce the potential for such threats, companies are often motivated to increase their transparency, including in terms of disclosure of social responsibility (CSR). Broader CSR disclosure can be a strategy for companies to reduce the negative impact of actions such as tax aggressiveness, which often receive sharp public scrutiny and criticism.²³ Companies that engage in aggressive tax practices tend to disclose their CSR reports in more detail in an effort to balance public perception.

Companies with high levels of tax aggressiveness are more likely to disclose their social responsibility more extensively than companies with low levels of tax aggressiveness.²⁴ Legitimacy theory explains that companies need to gain and maintain social support in order to continue operating smoothly.²⁵ Therefore, when companies take actions that can be viewed negatively, such as tax aggressiveness, they feel the need to balance it with an increase in CSR disclosure in an effort to maintain their legitimacy in the eyes of the public.

Nevertheless, not all studies find a strong relationship between tax aggressiveness and CSR disclosure. This study argues that factors such as pressure from society, social and environmental activists, and government supervision are not only focused on corporate tax aggressiveness, but also on various other aspects of corporate operations.²⁶ In other words, although companies may engage in aggressive tax practices, this is not always followed by increased CSR disclosure, because there are many other factors that are also taken into account in corporate decision making regarding such disclosure.

Overall, while there is evidence to support that tax aggressiveness can encourage firms to increase CSR disclosure in an effort to maintain legitimacy, there is also research to suggest that this influence is not always consistent. Firms need to consider a variety of factors, including how they are perceived by the public and how they are monitored by regulators, in designing their CSR disclosure strategies. In some cases, disclosure strategies may be more influenced by broader social pressures or the need to meet stakeholder expectations than by the level of tax aggressiveness itself. This suggests that the relationship between tax aggressiveness and CSR disclosure is complex and varies depending on the specific context in which a firm operates.

²³ Rahma Maulida Wanda Azahra and Sri Handayani, "The Effect of CSR Disclosure on Tax Avoidance through Earnings Management: Indonesian Evidence," *Journal of Contemporary Accounting*, March 3, 2023, 179–92, <https://doi.org/10.20885/jca.vol4.iss3.art5>.

²⁴ Nadia Astianata and Yudi Partama Putra, "The Influence of Tax Aggressiveness, Environmental Performance, Company Size on CSR Disclosure in Manufacturing Companies Listed on the IDX for the 2015-2021 Period," *Jurnal Ekonomi, Manajemen, Bisnis Dan Akuntansi Review* 3, no. 2 (December 6, 2023), <https://doi.org/10.53697/emba.v3i2.1472>.

²⁵ Siti Eva Aman, "Article Review: An Overview of Legitimacy Theory as Applied Within the Social and Environmental Accounting Literature," *International Journal of Advanced Research in Economics and Finance*, December 31, 2023, <https://doi.org/10.55057/ijaref.2023.5.4.8>.

²⁶ Siti Eva Aman; A.W. Anjarwi, "Corporate Social Responsibility and Tax Aggressiveness in The Covid-19 Pandemic Era," *EURASIA: Economics & Business* 74, no. 8 (August 25, 2023): 95–105, <https://doi.org/10.18551/econeurasia.2023-08.07>; Oleh Pasko et al., "Corporate Social Responsibility and Corporate Tax Aggressiveness: Evidence of Mandatory vs. Voluntary Regulatory Regimes Impact," *Problems and Perspectives in Management* 21, no. 2 (June 28, 2023): 682–700, [https://doi.org/10.21511/ppm.21\(2\).2023.61](https://doi.org/10.21511/ppm.21(2).2023.61).

Further Discussion

It is widely acknowledged that established companies, owing to their longevity in the market, possess a wealth of experience which translates into a deeper commitment to social responsibility. This commitment is reflected in the professionalism with which they convey information, as well as the breadth and depth of information made available to the public. Established companies have had more time to refine their communication strategies, ensuring that their CSR initiatives are transparent and effectively conveyed to stakeholders. This level of professionalism fosters trust and credibility, as these companies are seen as reliable sources of information regarding their CSR activities.

Additionally, established enterprises tend to exhibit a robust dedication to both disclosing CSR information and implementing responsible practices.²⁷ Their long-standing presence in the market often means they have developed comprehensive policies and practices that support sustainable and ethical operations. These companies understand the importance of integrating CSR into their core business strategies, recognizing that responsible conduct is not only beneficial for society and the environment but also for their long-term success. By consistently prioritizing CSR, they set a standard for newer companies to follow, showcasing the benefits of a sustained commitment to ethical practices.²⁸

Therefore, it can be inferred that older companies are not only more adept at CSR disclosure but also demonstrate a stronger commitment to responsible conduct overall. Their extensive experience allows them to anticipate and address potential CSR challenges effectively, ensuring that their practices remain relevant and impactful. This finding underscores the importance of considering a company's age when assessing its CSR efforts and highlights the potential for continued improvement in this regard as companies mature and evolve. As these companies continue to grow, they can leverage their experience to innovate and enhance their CSR initiatives, contributing to a more sustainable and socially responsible business landscape. This evolution signifies that established companies are well-positioned to lead the way in promoting ethical business practices and fostering a culture of corporate responsibility.

The Tax Aggressiveness Variable, a metric quantifying the degree of a company's assertiveness in minimizing tax liabilities, has emerged as a significant determinant with a noteworthy and affirmative influence on CSR disclosure practices. Essentially, this metric measures how aggressively a company engages in strategies to reduce its tax burden. Companies that are more aggressive in their tax planning are often scrutinized more closely by regulators, investors, and the public. This heightened scrutiny can impact the company's reputation and its relationships with various stakeholders.

In contemporary business landscapes, the perception of a company among the public

²⁷ Nanang Agus Suyono and Fina Ira Sastika, "Pengaruh Pertumbuhan Perusahaan, Ukuran Perusahaan, Leverage, Dan Kepemilikan Saham Publik Terhadap Pengungkapan Corporate Social Responsibility (CSR)," *Jamasy: Jurnal Akuntansi, Manajemen & Perbankan Syariah* 3, no. 3 (2023): 189–200, <http://jurnal.umt.ac.id/index.php/competitive/article/download/1824/1144>.

²⁸ Rina Dewi Oviliana, Satria Yudhia Wijaya, and Subur, "Pengaruh Ukuran Perusahaan, Tipe Industri, Dan Umur Perusahaan Terhadap Pengungkapan CSR," *Korelasi Riset Nasional Ekonomi, Manajemen, Dan Akuntansi* 2 (2021): 1187–98.

sphere holds paramount importance. With the advent of social media and the rapid dissemination of information, public perception can be shaped quickly and can have a lasting impact on a company's brand and operations. Negative perceptions, particularly those related to tax aggressiveness, can swiftly corrode a firm's credibility. This erosion of trust can lead to a loss of consumer confidence, diminished investor interest, and increased regulatory scrutiny, thereby posing substantial risks to its sustained existence and market standing.²⁹

Consequently, corporations find themselves under mounting pressure to demonstrate transparency and accountability concerning their broader social commitments. In response to the potential backlash from aggressive tax strategies, many companies are increasingly investing in their CSR initiatives. By doing so, they aim to present a more balanced and socially responsible image. CSR disclosures provide a platform for companies to communicate their efforts in areas such as environmental sustainability, social equity, and ethical governance. These disclosures can help mitigate potential fallout stemming from perceived exploitative tax strategies, as they show the company's dedication to positive societal impact. Thus, the link between tax aggressiveness and CSR disclosure is becoming more pronounced, as companies seek to align their financial strategies with their social responsibilities to maintain public trust and ensure long-term success.

The linkage between tax aggressiveness and CSR disclosure stems from the recognition that corporations exhibiting higher levels of tax aggressiveness tend to face greater scrutiny and skepticism from stakeholders, including customers, investors, regulators, and the broader public. Such scrutiny arises from concerns about the ethical and societal implications of aggressive tax practices, which are often perceived as indicative of a company prioritizing short-term financial gains over its broader societal responsibilities. Consequently, corporations inclined towards tax minimization strategies are compelled to adopt proactive measures to manage their reputational risks and foster trust among stakeholders.³⁰

One of the primary mechanisms through which corporations seek to address these concerns is by enhancing their CSR disclosure practices. By providing detailed accounts of their social and environmental initiatives, as well as their governance structures and ethical frameworks, companies aim to signal their commitment to broader societal welfare and ethical business conduct. Moreover, comprehensive CSR reporting serves as a means for companies to communicate their efforts in addressing pertinent societal issues, such as environmental sustainability, social equity, and community development, thereby enhancing their perceived legitimacy and social license to operate.

²⁹ Lanis and Richardson, "Corporate Social Responsibility and Tax Aggressiveness: A Test of Legitimacy Theory"; Riza Aulia Fitri and Agus Munandar, "The Effect of Corporate Social Responsibility, Profitability, and Leverage toward Tax Aggressiveness with Size of Company as Moderating Variable," *Binus Business Review* 9, no. 1 (March 31, 2018): 63, <https://doi.org/10.21512/bbr.v9i1.3672>.

³⁰ Robert B. Whit et al., "What Do We Know about Tax Aggressiveness and Corporate Social Responsibility? An Integrative Review," *Journal of Cleaner Production* 204 (December 2018): 542–52, <https://doi.org/10.1016/j.jclepro.2018.08.334>; Kenny Z. Lin, Suwina Cheng, and Fang Zhang, "Corporate Social Responsibility, Institutional Environments, and Tax Avoidance: Evidence from a Subnational Comparison in China," *The International Journal of Accounting* 52, no. 4 (December 2017): 303–18, <https://doi.org/10.1016/j.intacc.2017.11.002>; Kiridaran Kanagaretnam et al., "Cross-Country Evidence on the Role of Independent Media in Constraining Corporate Tax Aggressiveness," *Journal of Business Ethics* 150, no. 3 (July 19, 2018): 879–902, <https://doi.org/10.1007/s10551-016-3168-9>.

CONCLUSION

This study presents a comprehensive analysis of CSR practices, particularly within the context of Indonesian companies listed on the Sharia Stock Index. The study evaluates CSR disclosure using the GRI Standards and examines its relationship with environmental performance, company age, and tax aggressiveness. The findings indicate a strong positive correlation between environmental performance and CSR disclosure, emphasizing the importance of transparent reporting in fostering trust and accountability among stakeholders. Older companies tend to demonstrate higher levels of CSR disclosure, reflecting their accumulated experience and resources, while tax aggressiveness has a notable influence on CSR disclosure practices, with companies inclined towards tax minimization strategies being under increased pressure to demonstrate social responsibility. Furthermore, the study underscores the significance of CSR not only as a means of compensating for losses but as an integral part of every business process, encompassing inputs, procedures, and production. Islamic finance institutions are obligated to conduct their operations in accordance with Shariah law, which emphasizes ethical, economic, and legal concerns, thereby promoting CSR practices that align with Islamic principles.

Limitations of this study include its focus on a specific context (Indonesia) and industry (Islamic finance) which may limit the generalizability of the findings to other regions or sectors. Additionally, the reliance on panel data regression analysis, while providing valuable insights, may overlook nuanced factors that could influence CSR disclosure practices. Furthermore, the study's emphasis on quantitative analysis may overlook qualitative aspects of CSR disclosure and fail to capture the full complexity of corporate social responsibility practices.

Future studies could address these limitations by conducting comparative analyses across different countries or industries to explore variations in CSR disclosure practices. Qualitative research methods, such as interviews or case studies, could provide deeper insights into the motivations and strategies behind CSR disclosure decisions. Moreover, integrating stakeholder perspectives into the analysis could offer a more comprehensive understanding of the impact of CSR practices on various stakeholders. Additionally, considering broader societal and environmental factors beyond tax aggressiveness, such as regulatory frameworks or cultural norms, could enrich the analysis and provide a more holistic view of CSR disclosure determinants. Finally, exploring the role of emerging trends, such as ESG (Environmental, Social, and Governance) investing, on CSR disclosure practices could offer valuable insights into evolving corporate behavior and stakeholder expectations.

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