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The Association between Corporate Social Responsibility Disclosure and Tax Avoidance: Evidence from Philippine

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Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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ABSTRACT

This study investigates the association between corporate social responsibility disclosure and tax avoidance as allocations of corporate resources to the stakeholders, other than the shareholders. The study aims to examine whether companies that are actively disclosing their social responsibility are also behaving ethically in their financial aspect. Specifically, this study investigates whether companies with good social responsibility will also behave responsibly in their taxation aspect by reducing tax avoidance practices. The study is conducted in a developing country, namely the Philippines, where the sample group is obtained from go-public companies listed on the Philippine stock exchange during the 2014-2019 period that published sustainability reports. The results show there is a negative association between corporate social responsibility disclosure with tax avoidance. This shows that corporate tax practice is part of social responsibility actions.

Keywords: Corporate social responsibility; disclosure; tax avoidance; business ethics.

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1. INTRODUCTION

Social responsibility is an issue that cannot be separated from business activities. This is based on the underlying fact on the emergence of triple bottom line concept stating that in conducting their business, companies should not only focus on one bottom line, which is profit (economic), but also focus on the other bottom lines, which are planet (environmental) and people (social impact) [1]. Companies who are actively conducting and disclosing their social responsibility will increase their reputation by being labeled as companies that behave ethically in their business practices [2]. Results from other studies have also shown that companies who have a good reputation in social responsibility have enjoyed a positive impact by the increase of the company's performance through sales growth, stock price, and business value [3-8].

This condition places social responsibility as a strategic issue in the company's effort to improve its welfare. The legitimacy theory approach states that social responsibility is part of the social contract that companies should fulfill to gain legitimacy to carry out their operational activities [9-11]. On the other hand, social responsibility activities and disclosure will incur additional costs for the company, which are incurred for stakeholders other than the shareholders. This raises a question of whether the company is willing to bear the additional cost or to replace it by reducing expenses of the stakeholders, other than the shareholders, namely taxes. This study tries to find empirical evidence on the relationship between corporations actively disclosing their social responsibility activities and their tax behavior. Specifically, this study investigates the relationship between corporate social responsibility disclosure and tax avoidance. There are two viewpoints on the relationship between social responsibility and tax avoidance. The first viewpoint is to place tax avoidance as part of the social responsibility action; thus, tax avoidance becomes an activity that violates social responsibility norms. Second viewpoint places tax avoidance as not a part of the social responsibility so that companies can actively carry out and disclose their social responsibility while at the same time also conduct tax avoidance activities.

The study is conducted in a developing country, which is the Philippines, which has the highest tax rate within ASEAN developing countries, amounting 30% [12,13]. High tax rate is the main factor that encourages companies to do tax evasion [14]. On the other hand, disclosure and law enforcement on social responsibility in developing countries are still low [12,15]. Social responsibility disclosure in the Philippines is philanthropic, which is not actually the essence of social responsibility disclosure [16]. Thus, this phenomenon is interesting to study the reason for the company to disclose their corporate social responsibility using standardized disclosures, especially in countries with low tax enforcement and low social responsibility disclosure environment. To the best of the researchers' knowledge, this topic has never been studied in companies publicly listed in the Philippines.

2. LITERATURE REVIEW

2.1 Corporate Social Responsibility Disclosure

The basic idea of corporate social responsibility disclosure is the embodiment of the companies' ethical business practices [17,18]. Companies that actively conduct social responsibility shows their effort in improving the welfare of the shareholders, as well as paying attention to the environment and social aspects. This also means that the companies are responsible for having ethical business practices on the three bottom lines to that transparency in financial reporting and taxation are part of corporate social responsibility [19,20]. Social responsibility should cover all areas of the company, including their financial aspects. This is in line with the ethical theory stating that in fulfilling obligations to the stakeholders, companies must always refer to moral values [21]. Companies that can behave in such a way will receive a superior long-term performance.

In its development, social responsibility has shifted to become a strategic issue in companies. Companies that actively conduct and disclose their social responsibility activities have received many benefits both in terms of financial performance and company value and reputation. The existence of social responsibility as a part of a company's strategy is a natural thing, considering the benefits that the company can receive from this strategy. Legitimacy theory places social responsibly as a social contract that must be fulfilled to ensure that the business can continue its business activities. Legitimacy theory plays an essential role in explaining the behavior of the companies to implement and disclose their corporate social responsibility even such disclosure is still voluntary. Companies search for the interest and expectations in society according to their norms and values and try to fulfill them in order to gain recognition. The more active the companies to meet the social system of norms and value, the higher their chance to receive society recognition. With the support of society, companies will have the license to continue their operation and even survive the turbulent environment. However, the non-fulfillment of social contact causes the company to lose its legitimacy to continue operating. Therefore, companies will incur costs to perform and disclose their social responsibility to fulfill the social contract. In return, the companies expecting society acceptance and acknowledgment with their operation to compensate the cost. There are two viewpoints of how legitimacy theory views social responsibility as legitimacy, namely substantive legitimacy and symbolic legitimacy [9-11].

The first viewpoint sees social responsibility as a substantive legitimacy. This means that the companies implement the value of social responsibility in their business practice. The companies concretely align their policy and action according to the societal norm, namely ethical behavior. The company sees social responsibility as a holistic value that must exist in all aspects of the company, including the financial aspect [19]. These companies conduct and disclose their social responsibility not only solely to gain recognition but is indeed a value held by the company in carrying out its business practices. This approach places social responsibility activities and discloses them as a reflection of the company's values. In pursuing legitimacy, companies are using quality social responsibility disclosure as a reflection of their values.

The second viewpoint is symbolic legitimacy. From this perspective, the company sees social responsibility solely as a symbol or a tool to shape the company's image in the public's eyes [11]. As the corporate social responsibility disclosure is used as a tool to create an image, thus the disclosure must emerge a good quality to produce an optimal positive perception and lead stakeholders to mistakenly believe that the company's activity meets the social expectations. However, the values within the social responsibility are not fully practiced in the company and only partial aspects are considered as beneficial to the company. In this approach, the bottom line of social responsibility is not seen as a unified aspect [1]. Social responsibility is only considered an impression cost to show that the company is concerned for environmental issues and social impacts, without seeing that the financial management is also playing a part in the social responsibility actions [19]. The social responsibility activities can legitimize a company to continue its business regardless of whether the business operations include financial management based on ethical principles. This approach also places social responsibility activities as a burden; thus, the burden will be compensated with other resource allocation activities.

2.2 Tax Avoidance

Tax is one of the burdens that significantly affects the profits that a company will have. The tax burden is an expense that must be paid to the stakeholders other than the shareholders, namely the government, without receiving any direct benefit. Thus, companies will always tend to reduce their tax payments to taxing jurisdictions. Regulators can also understand this by providing incentives and some degree of flexibility in tax regulation to provide options as a form of their efforts to minimize the amount of tax that companies must pay. The effort to minimize taxes is allowed if they land within the legal corridor. However, the efforts become an action classified as tax avoidance when they enter the gray area and have the potential to violate tax regulations [22].

In this study, tax avoidance is considered an unethical act because the action has an opportunistic behavior and has the potential to violate the applicable regulations that are costly to society. Tax avoidance is a deliberate action by taxpayers who, in their efforts, are trying to minimize the amount of tax to be paid and intended to disobey the tax regulations. Moreover [23] stated that tax avoidance is a corporate behavior that resembles corporate culture, which implies companies' shared belief. Companies that practice tax avoidance believe that such resource allocation activities are the right things to do to achieve corporate goals regardless that it will violate the contract between company and society at the latter's expense. The revenue lost due to tax avoidance activities could lead to several detrimental effects such as inequality among taxpayers, cut back on government programs, and suboptimal welfare to the society. Therefore, tax avoidance considers as irresponsible because, in the end, it will bring loss to society.

Tax avoidance has several impact to related parties. For the government, tax avoidance caused the government to suffer losses that are not calculated due to its nature and tendency to violate the regulations. For companies, tax avoidance causes the companies to be at risk of being subject to tax sanctions and can damage the companies' reputation. Tax avoidance practices tend to be a flare in developing countries due to the high tax rates, low tax compliance, and weak tax enforcement [14]. This causes companies to have more freedom to conduct tax avoidance actions.

2.3 Hypothesis Development

Corporate social responsibility disclosure and tax avoidance activities are two associated practices as both reflect the company's corporate culture, whether in the same or opposite direction. Previous studies found that companies' motivation to disclose their social responsibility activities was not always based on ethical considerations. Social responsibility disclosure can also lead to naturalistic fallacy in society, which then can be utilized by the companies as a tool to deceive the public against the company's unethical actions. Companies can create social responsibility disclosures so that they can be categorized as companies that act ethically, even though this is done to hide tax avoidance actions. This condition are more likely to happened in developing countries as the legal system tend to be weaker and the investors' protection is still low [24]. A study by [25] found that companies that engage in aggressive tax avoidance actively disclose social responsibility. This finding is also supported by a research from [26] who found a positive relationship between social responsibility disclosure and tax aggressiveness. Based on this information, the hypothesis is formulated as follow:

H1 : Corporate social responsibility disclosure is positively associated with tax aggressiveness.

3. RESEARCH METHODS

This study was conducted on go-public companies listed on the Philippine Stock Exchange for the period 2014-2019. The research sample includes companies that published sustainability reports based on the Global Reporting Initiative (GRI). The sample has been selected to companies that have had disclosure with GRI because GRI is considered as the best guideline in disclosing social responsibility [27,28], so that it can describe the company's maximum effort in disclosing its social responsibility and not just a philanthropic disclosure. Disclosure of corporate social responsibility (CSRI) is measured based on the disclosure index, which is based on a combination of GRI G4 index and GRI Standard. During the research period, GRI published G4 (2013) and GRI standard (2016) guidelines. According to the two guidelines, the researchers then created a disclosure index that is used to measure the variable of social responsibility disclosure. The data on corporate social responsibility disclosure are manually hand-collected within the sustainability report or the company's annual report. Next, social responsibility disclosure is measured by comparing the number of disclosed items that are reported by the company with the disclosure index. Tax avoidance variable is proxied by GAAP ETR [29,30], which is measured by dividing the total income of tax expenses by profits before tax. The higher the GAAP ETR value is, the lower the number of tax avoidance actions will be. The research sample that shows a negative profit before tax is excluded from the research sample because the negative GAAP ETR becomes meaningless. This study's control variables are firm sizes [26,31,13], profitability [26,32], debt level [32,33,22], capital intensity ratio [31,34,35] and company's growth as measure by market to book ratio [26,22].

This study uses an ordinary least square regression model with robust standard error and includes fixed year and industry effect. The industrial grouping in this study is based on the SIC industry grouping. The following equation estimates hypothesis in this study:

$$GAAP\_ETR_{it} = \alpha_0 + \alpha_1 CSRI_{it} + \alpha_2 SIZE_{it} + \alpha 3ROEit + \alpha 4LEVit + \alpha 5CIRit + \alpha 6PBVit + \varepsilon it$$

4. RESULTS AND DISCUSSIONS

Based on the research period and the availability of the data needed to measure the research variable, a final sample of 111 observations from 39 companies are obtained. The financial variables were winsorized at the 1st and 99th percentiles to ensure that the results are not affected by extreme values. The table below provides the descriptive statistics of the group.

Table 1. Descriptive statistics

	N	Mean	Median	St. Dev.	Minimum	Maximum
GAAP_ETR	111	0.208	0.213	0.064	0.086	0.333
CSRI	111	0.358	0.338	0.129	0.117	0.610
SIZE	111	18.882	19.693	1.915	13.223	21.514
ROE	111	0.112	0.102	0.065	-0.048	0.278
LEV	111	2.145	1.417	2.099	0.107	9.001
CIR	111	0.580	0.694	0.303	0.005	0.919
PBV	111	1.827	1.474	1.195	0.204	4.619

Based on Table 1, it shows that GAAP_ETR has a mean (median) value of 0.208 (0.213) with a scale of 0-1. This shows that on average, the effective tax rate in Philippines is still low, at around 20%, whilst the corporate tax rate applied in the Philippines is 30%. This indicates the existence of tax avoidances by the companies. On the CSRI variable, the observation shows that the mean (median) value is 0.358 (0.338) with a scale of 0-1. This shows a low level of corporate social responsibility disclosure as the disclosure still have a voluntary nature. In the control variable, SIZE has a mean (median) of 18.882 (19.693), ROE has a mean (median) if 0.112 (0.102), LEV has a mean (median) of 2.145 (1.417), CIR has a mean (median) of 0.580 (0.694), and PBV has a mean (median) of 1.827 (1.474).

Furthermore, Table 2 reports the correlation between variables used in this study via Pearson Correlation test. The correlation test shows that the highest correlation value is between LCIR and LEV variables, amounting 0.548, which is still on a moderate level; thus, it is concluded that there is no correlation between the independent variables. In addition, it was found that the CSRI variable shows a positive association with GAAP_ETR. This result indicates that the higher the level of social responsibility disclosure, the higher the company's effective tax rate will be, meaning a lower level of tax avoidance.

Table 3 provides the result for model testing, namely, normality, multicollinearity, and heteroscedasticity, in order to meet the best linear unbiased estimation (BLUE). Shapiro-Wilk test is used to test for normality, and the result is > 0.05 therefore, the residuals are normally distributed. Variance Inflation Factor(VIF) Score is used to test for multicollinearity and the result shows all variables have VIF score < 10 therefore there is no multicollinearity problems. Breusch Pagan test is used to test for heteroscedasticity and the result is > 0.05 therefore there is no hereroscedasticity. All the result for model testing shows that the estimation model passed the normality, multicollinearity and heteroscedasticity the BLUE requirement and can be proceed to hypotesis testing.

The results of hypothesis testing in Table 4 shows that CSRI has a positive association with GAAP_ETR, amounting 0.089 (2.05). The positive sign means that social responsibility disclosure is positively related to tax effectiveness, thereby reducing the number of tax avoidance practices. This result remains consistent after including the dummy variables of year and industry. This result means that the hypothesis stating that social responsibility disclosure is positively associated with tax avoidance is not accepted. This research finding contradicts with studies by [25] and [26] which stated that corporate social responsibility disclosure has a positive association with tax avoidance. However, it is in line with researches by [22,32,35] which stated that corporate social responsibility disclosure has a negative relationship with tax avoidance practices. The result of the study shows that companies who actively disclose their social responsibility behavior will have a higher effective tax rate, which means that have lower tax avoidance. Companies that are actively perform and disclose their social responsibility using the best social responsibility disclosure standards also tend to avoid tax evasion. This is in line with the substantive legitimacy point of view. The companies apply the values that exist in social responsibility not only for publication purposes or even worse for covering the wrongdoing in their finance, but these values are implemented on every aspect of the company, including taxation. Thus, both corporate social responsibility and taxation action resemble the corporate culture of doing business, namely ethics. Companies choose to disclose their corporate social responsibility using the highest standard available to show their seriousness in doing it and how it represents their value. The company's also apply those values to their taxation by reducing tax avoidance practices because such behavior will violate not only their corporate value but also the value of society. This consistent behavior between disclosing corporate social responsibility and reducing tax avoidance suggesting that the company implement substantive legitimacy point of view that empahasis on ethical behavior. Corporate ethical value plays a vital role for companies in doing their business to limit opportunistic behavior eventhough there is an opportunity to do so because of the weak law enforcement. Furthermore, companies gain benefit for their business to be sustainable as the stakeholder sees company's consistent ethical behavior in their activities and reporting.

This also indicates that companies are trying to protect their reputation as companies that behave ethically by promote the same behavior in the corporate social responsibility and taxation activities. In other words, taxation activities are considered as part of the corporate social responsibility actions. These companies are not trying to find compensation over the costs that have incurred within their social responsibility activities by taking tax avoidance actions. Even when the overall cost incurred for the stakeholders, beside the shareholders, are in a large amount, yet these costs will be far less than the reputation and the trust that might get lost from the stakeholders if the company is involved in a tax avoidance scandal. When the company damages its reputation due to inconsistent behavior in social responsibility and taxation, then it will create a detrimental effect such as harm investor trust, high potential of litigation cost, erodes its customer base, and employee retention crisis and even putting the sustainability of their business at risk. Companies may enjoy short-term benefits by deceiving society by engaging in tax avoidance activities and covering it up with corporate social responsibility disclosure. However, if the practice is exposed and the company's reputation is destroyed, it will take a long time and a substantial huge cost to restore that reputation.

This study also added an analysis by examining the relationship between the aspects within corporate social responsibility, which are economic aspect (CSR_ECO), environment (CSR_ENV) and (CSR_SCL) towards tax avoidance. The test results support the other research findings, showing that these aspects have a positive relationship with tax avoidance, and the relationship is found to be significant in the environment (CSR_ENV) and social (CSR_SCL) variables suggestting that company focuses in the aspect of environment dan social tend to reduce their tax avoidance behavior. The findings are consistent after including the fixed effect of year and industry.

Table 2. Pearson correlation test results

	GAAP_ETR	CSRI	SIZE	ROE	LEV	CIR	PBV
GAAP_ETR	1.000						
CSRI	0.241^{**}	1.000					
	(0.011)						
SIZE	-0.024	-0.233^{**}	1.000				
	(0.805)	(0.014)					
ROE	0.298^{***}	0.154	-0.103	1.000			
	(0.001)	(0.107)	(0.281)				
LEV	-0.207^{**}	-0.118	0.296^{***}	0.170^{*}	1.000		
	(0.029)	(0.216)	(0.002)	(0.074)			
CIR	0.225^{**}	0.313^{***}	-0.233^{**}	0.111	-0.548^{***}	1.000	
	(0.017)	(0.001)	(0.014)	(0.246)	(0.000)		
PBV	0.292^{***}	0.174^{*}	0.049	0.547^{***}	-0.033	0.279^{***}	1.000
	(0.002)	(0.068)	(0.609)	(0.000)	(0.729)	(0.003)	

p-values in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 3. Model testing

Model testing	Name of the test	Result
Normality	Shapiro-Wilk Test	0.60685
Multicollinearity	Variance Inflation Factor (VIF)	1.50000
Heteroscedasticity	Breusch-Pagan Test	0.60250

Furthermore, this research performs robustness test by using book-tax difference (BTD) as the dependent variable. Previous research provides evidence of BTS being useful as a proxy for tax avoidance (Abdul Wahab & Holland, 2015; 2009; Watson, 2011; Wilson, 2009). A high value of BTD means a large gap between accounting income and estimated taxable income, thus indicate companies practicing tax avoidance. BTD computed as the pretax income less taxable income. Taxable income is estimated by the tax expense divided by statutory tax rate. BTD is scaled by total asset of the year. As a function of the robustness test, corporate social responsibility disclosure is expected to affect book-tax difference negatively. The result from Table 5 shows that CSRI has a negative value towards BTD and provides consistent evidence that corporate social responsibility disclosure reduces tax avoidance practices. The result remains consistent after controlling for fixed and industry effects and a breakdown for each aspect of corporate social responsibility disclosure i.e., economics, environment dan social.

The implication obtained from the research findings is that stakeholders can use corporate social responsibility disclosure as a source of information in their decision-making process. Information on social responsibility disclosure can be used as a consideration besides the financial information. The research finding shows that corporate social responsibility disclosure, which has a non-financial nature, is associated with the companies' financial information, especially on taxation. Companies that make more effort to disclose social responsibility based on the standardized guidelines indicate that social responsibility has also become a value adopted by the company in its business practices. This research also implies that the regulator encourages companies to disclose their corporate social responsibility using a standardized disclosure to enhance the comparability of social responsibility activities across companies. Government can grant a tax incentive program for companies that actively disclose their corporate social responsibility to promote a reduction in tax avoidance practices. Although this policy seems to reduce government revenue in the short term, it can increase in the long term as the awareness of corporate social responsibility and tax compliance arise.

Table 4. Hypothesis test results

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CSRI	0.089**	0.127***						
	(2.05)	(3.18)						
CSR_ECO			0.034	0.038				
			(0.88)	(1.00)				
CSR_ENV					0.075***	0.115***		
					(2.39)	(3.56)		
CSR_SCL							0.060*	0.083**
							(1.34)	(1.92)
SIZE	0.004	0.008**	0.003	0.007	0.003	0.007*	0.004*	0.008*
	(1.27)	(1.74)	(0.96)	(1.27)	(1.02)	(1.43)	(1.29)	(1.64)
ROE	0.273***	0.210*	0.269***	0.207*	0.295***	0.231*	0.266**	0.216*
	(2.38)	(1.38)	(2.37)	(1.35)	(2.55)	(1.49)	(2.34)	(1.43)
LEV	-0.008***	-0.007**	-0.008***	-0.007**	-0.008**	-0.007*	-0.008***	-0.007**
	(-2.42)	(-1.71)	(-2.39)	(-1.81)	(-2.24)	(-1.61)	(-2.45)	(-1.69)
CIR	-0.002	-0.019	0.006	-0.008	-0.006	-0.033	0.005	-0.006
	(-0.09)	(-0.59)	(0.29)	(-0.25)	(-0.26)	(-1.00)	(0.24)	(-0.20)
PBV	0.005	0.009*	0.006	0.009*	0.005	0.010	0.006	0.009
	(0.95)	(1.30)	(1.08)	(1.34)	(0.90)	(1.36)	(1.01)	(1.24)
_cons	0.079*	0.013	0.110**	0.078	0.097*	0.051*	0.084*	0.023
	(1.30)	(0.12)	(1.72)	(0.66)	(1.53)	(0.47)	(1.31)	(0.20)
Year f.e.	No	Yes	No	Yes	No	Yes	No	Yes
Ind f.e.	No	Yes	No	Yes	No	Yes	No	Yes
r2	0.205	0.300	0.185	0.259	0.206	0.311	0.194	0.278
F	6.308***	3.072***	4.960***	2.503***	6.436***	3.527***	5.272***	2.513***
N	111	111	111	111	111	111	111	111

t statistics in parentheses

* *p < 0.1,* ** *p < 0.05,* *** *p < 0.01*

Table 5. Robustness test results

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CSRI	-0.016**	-0.021***						
	(-1.75)	(-2.69)						
CSR_ECO			-0.006	-0.008				
			(-0.84)	(-1.10)				
CSR_ENV					-0.010	-0.015**		
					(-1.37)	(-2.13)		
CSR_SCL							-0.013*	-0.016**
							(-1.60)	(-2.15)
SIZE	-0.001*	-0.001*	-0.001	-0.001	-0.001*	-0.001	-0.001*	-0.001*
	(-1.43)	(-1.45)	(-1.16)	(-1.07)	(-1.19)	(-1.12)	(-1.50)	(-1.50)
ROE	0.025	0.031	0.026	0.032	0.022	0.027	0.027	0.030
	(0.94)	(0.84)	(1.00)	(0.88)	(0.84)	(0.75)	(1.00)	(0.83)
LEV	-0.002***	-0.002*	-0.002***	-0.001*	-0.002***	-0.002*	-0.002***	-0.002*
	(-2.70)	(-1.60)	(-2.67)	(-1.57)	(-2.77)	(-1.65)	(-2.70)	(-1.59)
CIR	0.003	0.013*	0.002	0.011*	0.003	0.014*	0.002	0.011
	(0.60)	(1.49)	(0.37)	(1.31)	(0.60)	(1.65)	(0.43)	(1.26)
PBV	-0.001	-0.002*	-0.001	-0.002*	-0.001	-0.002*	-0.001	-0.002*
	(-0.93)	(-1.40)	(-1.03)	(-1.45)	(-0.94)	(-1.43)	(-0.96)	(-1.34)
_cons	0.041***	0.039**	0.036***	0.029	0.037***	0.030*	0.042***	0.039**
	(3.32)	(1.76)	(2.87)	(1.22)	(3.02)	(1.38)	(3.19)	(1.79)
Year f.e.	No	Yes	No	Yes	No	Yes	No	Yes
Ind f.e.	No	Yes	No	Yes	No	Yes	No	Yes
r2	0.172	0.269	0.159	0.247	0.165	0.262	0.171	0.262
F	7.941***	5.044***	8.076***	3.980***	7.893***	5.187***	7.537***	4.486***
N	111	111	111	111	111	111	111	111

t statistics in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

5. CONCLUSION

This study examines the association between corporate social responsibility disclosure and tax avoidance on go-public companies in Philippines. The results show that social responsibility disclosure has a negative association with tax avoidance, meaning that companies that actively disclose their social responsibility have lower levels of tax avoidance. The result supports the substantive point of view as there is a consistency of ethic value in their corporate social responsibility and taxation. Companies that disclose their corporate social responsibility as a strategy to show to the public of their corporate value of ethics also behave the same manner in their taxation by reducing their tax avoidance practices. Corporate Social Responsibility disclosure can be used as one of sources of information to help stakeholders to assess the value of the company. The result also indicate that corporate culture of ethics has an essential role to promote social responsibility disclosure in the low disclosure environment and to constraint tax avoidance practice in the low tax enforcement.

This study has limitations as it only focuses on companies that disclose their social responsibility on their sustainability report that is based on the GRI guidelines. Further research can compare the association of various social responsibility disclosure and other variables that describe ethical behavior or corporate fraud. The voluntary nature of corporate social responsibility disclosure creates various ways to disclose it, from a brief statement in their website to a structured report based on comprehensive guidelines. So it is interesting to know whether corporate social responsibility disclosure is related to other corporate actions, particularly in their finance. The research scope also needs to be broadened by doing further research in other developing countries to provide a more comprehensive picture about social responsibility disclosure practices and corporate ethical behavior in developing countries. Research in developing countries can provide different results due to the different contexts they have with developed countries. Thus, it can enrich the literature on corporate social responsibility disclosure. In addition, further research can add new variables that can strengthen or weaken the relationship between corporate social responsibility disclosure and corporate ethical behavior.

ETHICAL APPROVAL

As per international standard or university standard written ethical approval has been collected and preserved by the author(s).

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COMPETING INTERESTS

Authors have declared that no competing interests exist.

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