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Analysis of the Influence of Tax Burden and Profitability on CSR Disclosure with Good Corporate Governance Mediation

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Abstract. The purpose and objective of this study is to analyze the effect of tax burden and company profitability, measured by return on assets (ROA), on corporate social responsibility (CSR disclosure), and to examine the role of good corporate governance (GCG) as a mediating variable in construction and property companies listed on the Indonesia Stock Exchange from 2020 to 2024. This study uses a quantitative method with panel data analyzed using panel data regression. The model selection was conducted through the Chow test, the Lagrange multiplier (LM) test, and the Hausman test, which showed that the fixed effect model (FEM) was the most appropriate model. To overcome the problem of heteroscedasticity, the estimation was performed using clustered robust standard error. The mediation analysis was performed using the Sobel test and the bootstrap method with 5,000 replications. The results show that tax burden and profitability (ROA) have a negative and significant effect on CSR disclosure. This indicates that the higher the tax burden and profitability of a company, the lower the level of CSR disclosure tends to be. Meanwhile, good corporate governance does not have a significant effect on CSR disclosure. The results of mediation tests, both through the Sobel test and bootstrap, show that GCG does not act as a mediating variable in the relationship between tax burden and profitability on CSR disclosure. These results indicate that in the construction and property sector during the research period, CSR disclosure is more directly influenced by tax burden and profitability factors than by corporate governance mechanisms as mediating variables.

Keywords: Corporate Social Responsibility; Fixed Effect Model; Good Corporate Governance; Panel Data Regression; Return on Assets; Tax Burden.

1. INTRODUCTION

In recent years, social responsibility and sustainability issues have become a major focus in the property and real estate industry. The increasing demand for environmentally friendly residential and business space is in line with growing awareness of the ecological and social impacts of development. In Indonesia, large companies in the property sector have begun to publish sustainability reports and integrate environmental, social, and governance aspects into their business activities (Xiong et al., 2022). This happens because the property and construction sectors have a large contribution to the carbon footprint globally, so transparency in corporate social responsibility disclosure is increasingly important (Kurniawati et al., 2022). Thus, corporate social responsibility disclosure (CSR disclosure) is no longer seen as an option, but rather part of a sustainable and long-term competitive business strategy.

Regulation plays a key role in driving the quality of sustainability disclosure. Zhang et al. (2023) explain that the obligation to convey CSR can expand the reach of corporate social information as an effort to increase legitimacy, especially in developing countries that previously relied on voluntary reporting. Kolk (2016) emphasized that the formal regulatory framework is the main factor for the consistency of sustainability reporting in various authorities. Furthermore, Tang and Demeritt (2018) show that the implementation of

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mandatory disclosure policies, especially related to carbon reporting, encourages companies to strengthen their internal reporting and governance systems to meet compliance standards. In Indonesia, CSR obligations are stipulated through Law Number 40 of 2007 concerning Limited Liability Companies and strengthened by Government Regulation Number 47 of 2012, which emphasizes that CSR must be budgeted and accounted for in annual reports. Cahan et al. (2016) added that companies operating in environments with strong regulation and law enforcement tend to increase the intensity of CSR disclosure to maintain social legitimacy.

Theoretically, the relationship between corporate tax burden and CSR activities is complex and non-linear. Guenther et al. (2020) show that a reduction in tax burden increases the availability of internal cash of companies, thus providing more space for funding CSR activities. These findings are in line with Gandullia and Piserà (2020) who indicate that tax reductions can improve companies' ability to finance social and environmental investments. Lu et al. (2023) also found that tax burdens affect a company's investment efficiency through internal liquidity mechanisms. However, companies can also use CSR as a legitimacy tool when carrying out aggressive tax strategies as discovered by Hoi et al. (2013). Lanis and Richardson (2012) stated that CSR disclosure is often a mechanism to gain social legitimacy over corporate tax practices. In contrast, Davis et al. (2016) found that companies that are more socially responsible pay higher taxes and are less likely to engage in aggressive tax planning.

Profitability also determines the company's capacity to finance social activities. Laguir et al. (2015) stated that companies with high tax burdens can use CSR as a legitimacy tool to reduce political and social pressure. Cuadrado-Ballesteros et al. (2017) found that companies with high profitability have greater resources to invest in CSR activities without sacrificing financial interests. Apart from being a supervisory mechanism, corporate governance also has the potential to bridge the relationship between financial conditions and CSR disclosure. Firmansyah and Estutik (2020) prove that in the Indonesian context, corporate governance can reduce tax aggressiveness while increasing CSR disclosure. Mutairi and Bakar (2023) show that good governance improves the quality and depth of CSR disclosure due to internal pressure to maintain reputation. Yoon et al. (2021) added that governance mechanisms significantly moderate the relationship between CSR and tax avoidance.

Despite this, empirical findings in various countries are still inconsistent. Cho and Patten (2007) found a positive relationship between financial performance and environmental disclosure. Reverte (2009) also found a positive influence of profitability on the rating of CSR disclosure in companies listed in Spain. On the other hand, Muthia and Isnurhadi (2019) did not find a significant effect of profitability on social disclosure in companies in Indonesia.

These inconsistencies create research gaps that are interesting to study further, especially in the construction and property sectors that have a major impact on the environment but still rarely place the burden of taxes as a CSR predictor.

Based on this description, this study aims to analyze the influence of tax burden and profitability as measured by return on assets (ROA) on CSR disclosure, as well as examine the role of good corporate governance (GCG) as a mediating variable in construction and property sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period. Theoretically, this research is expected to enrich the study of the relationship between tax burdens, profitability, and corporate social responsibility, while practically providing input for companies and policymakers in balancing tax compliance, financial performance, and social reputation.

2. LITERATURE REVIEW

This research is based on the triple bottom line (TBL) as a grand theory introduced by Elkington in 1997. TBL emphasizes that a company's success is not only judged by profits, but also by its contribution to the environment and the welfare of society through the balance of profit, people, and planet aspects. This concept is closely related to CSR practices as a tangible manifestation of the integration of economic, social, and environmental aspects in the company's operations. TBL is reinforced by legitimacy theory, which is premised that companies operate within a system of norms and values that society expects (Suchman, 1995). When legitimacy is threatened by public or regulatory pressure, companies tend to increase CSR disclosure as a strategy to maintain their social support and reputation (Dowling & Pfeffer, 1975).

Furthermore, slack resources theory is seen as an extension of legitimacy theory that highlights the financial capacity of companies in meeting social expectations (Waddock & Graves, 1997). If legitimacy theory explains why companies do CSR to gain social legitimacy, then slack resources theory explains how companies are able to implement it, namely by utilizing excess resources obtained from high profitability. Sugiarti, Nida et al. (2019) prove that slack resources strengthen the relationship between company maturity and the frequency of CSR disclosure. Thus, CSR is a means to maintain legitimacy (why), while slack resources explain the financial capacity that makes its implementation possible (how). Based on this framework, it is hypothesized that tax burden and profitability have an effect on CSR disclosure, and GCG is suspected to mediate the relationship between the two.

3. RESEARCH METHOD

This study is a quantitative research using secondary panel data. The research population includes all construction and property sector companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2024 period, namely 91 companies consisting of 45 construction companies and 46 property companies. The sample determination was carried out by purposive sampling technique based on the research criteria, so that 58 qualified companies were obtained with a total of 290 initial observations. Data was obtained from annual reports, sustainability reports, Refinitiv databases, and IDX official announcements. The independent variable consists of tax burden measured through the effective tax rate multiplied by earnings before tax (NRE) and profitability measured by return on assets (ROA), which is net profit divided by total assets. The dependent variable is CSR disclosure which is measured using the Global Reporting Initiative (GRI) G4 index, while good corporate governance (GCG) as a mediation variable is proxied by the size of the audit committee.

The analysis stage began with data cleaning and preparation, including checking the data structure, handling empty values, converting string data into numerical, and eliminating missing values and duplication, resulting in 82 net observations. Furthermore, descriptive statistical analysis and panel data regression model selection were carried out through the Chow test, Lagrange multiplier (LM) test, and Hausman test to determine the best model among common effect models (CEM), fixed effect models (FEM), and random effect models (REM). The classical assumption test which includes normality, heteroscedasticity, multicollinearity, and autocorrelation tests was carried out to meet the criteria of the best linear unbiased estimator (BLUE), and the heteroscedasticity problem was overcome by a clustered robust standard error approach. The GCG mediation role test was carried out using the Sobel test and the bootstrap method with 5,000 replications. The entire estimation process is processed using TATA's software.

4. RESULTS AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive Statistical Results

Variabel	obs	Mean	Std. Dev.	Min	Max
Return on Assets (ROA)	82	0,0538	0,0562	0,0000	0,2423
CSR Disclosure	82	61,634	20,011	13	102
GCG	82	3,122	0,365	3	5
Tax Burden	82	0,491	1,487	0	10,404

Table 1 shows that the ROA variable has an average value of 0.0538 which means that the company is generally able to generate a profit of around 5.3% of its total assets, with variations reflecting the difference in profitability levels between companies. CSR disclosure has an average of 61,634 which puts the disclosure rate in the middle category, indicating that most companies have disclosed CSR although the completeness varies. The GCG variable has an average of 3.122 which reflects the implementation of relatively good governance, while the tax burden has an average of 0.491 which describes the proportion of tax burden to the company's profit. Overall, the research data has a good enough variety to be analyzed further.

Panel Data Regression Model Selection

Table 2. Panel Data Regression Model Selection Test Results

Testing	Statistical Value	Probability	Verdict
Chow Test	F(20,58) = 2,47	0,0047	FEM is more accurate than CEM
Uji Lagrange Multiplier	chibar²(01) = 1,83	0,0881	CEM is more precise than REM
Hausman Test	chi²(3) = 10,15	0,0173	FEM is more precise than REM

Table 2 presents the results of the selection of the panel data regression model. The Chow test yielded a value of F(20.58) of 2.47 with a probability of 0.0047 (<0.05) so that the fixed effect model (FEM) was more accurate than the common effect model (CEM). The Lagrange multiplier test obtained a chibar² value of 1.83 with a probability of 0.0881 (>0.05) which means that there are no significant individual effects, so CEM is more accurate than the random effect model (REM). Furthermore, the Hausman test produced a chi²(3) value of 10.15 with a probability of 0.0173 (<0.05) which rejects the null hypothesis, so that FEM is more accurate than REM. Based on these three tests, FEM was chosen as the most suitable estimation model in this study.

Classic Assumption Test

Table 3. Summary of Classical Assumption Test Results.

Testing	Method	Values/Statistics	Probability	Conclusion
Normality	Shapiro-Wilk	–	0,00001	Abnormal residual
Heteroskedastisitas	Modified Wald	$chi^2(21) = 907,43$	0,0000	There is heteroscedasticity
Multikolinearitas	VIF (track-track)	1,02	–	Bebas multikolinearitas
Autocorrelates	Wooldridge	F = 2,045	0,1660	Auto-free

Table 3 presents the results of the classical assumption test on the FEM model. The normality test via Shapiro-Wilk yielded a probability of 0.00001 (<0.05) indicating a normally undistributed residual; However, because the number of observations was more than 30 (n=82) and the model used a clustered robust standard error, the violation of normality did not significantly affect the validity of the estimates. The heteroscedasticity test produced a $chi^2(21)$ of 907.43 with a probability of 0.0000 (<0.05) so that there was heteroscedasticity which was then overcome through the clustered robust standard error approach. The multicollinearity test obtained an average VIF value of 1.02 which was far below 10 so that the model was multicollinearity-free, while the autocorrelation test produced an F of 2.045 with a probability of 0.1660 (>0.05) which indicates the absence of autocorrelation. Thus, after adjustment, the regression model is feasible to use for further analysis.

Fixed Effect Model Estimation Results

Table 4. Fixed Effect Model Estimation Results with Clustered Robust Standard Error.

Variabel	Coeficin	Probability	Remarks
Tax Burden	-3,074	0,026	Negative & Significant
Return on Assets (ROA)	-90,716	0,014	Negative & Significant
GCG	11,251	0,051	Insignificant
Konstanta	32,902	0,076	–

Table 4 shows the results of the FEM estimation with clustered robust standard error. The variable tax burden has a coefficient of -3.074 with a probability of 0.026 (<0.05) which means that the tax burden has a negative and significant effect on CSR disclosure; the higher the tax burden, the lower the level of CSR disclosure. The ROA variable has a coefficient of -90.716 with a probability of 0.014 (<0.05) which also shows a negative and significant influence on CSR disclosure. Meanwhile, GCG has a coefficient of 11.251 with a probability of 0.051 (>0.05) so it has not had a statistically significant effect. These results confirm that financial factors have a direct influence on CSR disclosure, while governance has not shown a significant influence.

Mediation Analysis with Sobel Test

Table 5. Mediation Analysis Results with Sobel Test.

Mediation Pathway	Indirect Effects (a×b)	Probability	Conclusion
Tax Burden → GCG → CSR	-0,190	0,554	GCG does not mediate
ROA → GCG → CSR	-9,472	0,315	GCG does not mediate

Table 5 presents the results of the mediation test with the Sobel test. In the tax burden path, the indirect effect through GCG is -0.190 with a probability of 0.554 (>0.05) so it is not significant; The coefficient of path a (tax burden on GCG) of -0.017 (p=0.536) was not significant, while path b (GCG on CSR disclosure) of 11.251 (p=0.048) was significant. In the profitability pathway, the indirect effect of -9.472 with a probability of 0.315 (>0.05) was also insignificant, with the path a (ROA to GCG) of -0.842 (p=0.244). Because the indirect effects on both channels are not significant, GCG does not act as a mediator and the effect of tax burden and profitability on CSR disclosure is direct (direct effect only).

Mediation Analytics with Bootstrap

Table 6. Results of Mediation Analysis with Bootstrap Method (5,000 Replications).

Mediation Pathway	Indirect Effects	Probability	CI 95%	Conclusion
Tax Burden → GCG → CSR	-0,190	0,512	[-0,759; 0,379]	Not mediating
ROA → GCG → CSR	-9,472	0,216	[-24,473; 5,529]	Not mediating

Table 6 reinforces the findings of the Sobel test through the bootstrap method with 5,000 replications. On the tax load path, the indirect effect is -0.190 with a probability of 0.512 (>0.05) and a 95% confidence interval of [-0.759; 0.379] which includes a value of zero, so it is not significant; The direct effect of -3.074 (p=0.033) remained significant. On the profitability track, the indirect effect was -9.472 with a probability of 0.216 (>0.05) and a 95% confidence interval of [-24.473; 5.529] which also included a zero value, while the direct effect of -90.716 (p=0.006) remained significant. Thus, bootstrap confirms that GCG does not mediate the relationship between tax burden and profitability to CSR disclosure, and the influence that occurs is direct effect only.

The Effect of Tax Burden on CSR Disclosure

The estimated results show that tax burden has a negative and significant effect on CSR disclosure. These findings indicate that the higher the tax burden a company bears, the lower the CSR disclosure rate. Theoretically, a high tax burden reduces the availability of internal resources, making the allocation of funds for social activities and their disclosure more limited.

These findings are in line with Laguir et al. (2015) who show that a high tax burden can reduce the capacity of company funds for CSR activities. These results are also consistent with the logic of Guenther et al. (2020) that the availability of internal cash is an important factor in CSR financing, so that when the tax burden increases, the space for CSR disclosure actually narrows. Thus, fiscal pressure has proven to be one of the important determinants of CSR disclosure policies in the construction and property sectors.

The Effect of Profitability on CSR Disclosure

Profitability measured by ROA has been proven to have a negative and significant effect on CSR disclosure. These findings suggest that increased profitability does not necessarily increase CSR disclosure in construction and property sector companies during the study period. These results differ in part from slack resources theory (Waddock & Graves, 1997) which states that companies with excess resources tend to be more active in social activities. This difference can be explained by the tendency of companies in capital-intensive sectors to prioritize profit reinvestment in development projects rather than expanding CSR disclosure. This finding also confirms the inconsistency of previous research results, as Muthia and Isnurhadi (2019) who did not find a significant effect of profitability on social disclosure, in contrast to Reverte (2009) who found a positive influence.

The Role of Good Corporate Governance Mediation

Good corporate governance proxied by the size of the audit committee has not been proven to mediate the relationship between tax burden and profitability to CSR disclosure. Although GCG has an influence on CSR disclosure on pathway b, the influence of independent variables on GCG (pathway a) is not significant, so a mediation mechanism is not formed. These results are consistently reinforced by both the Sobel test and the bootstrap method.

This finding is different from Firmansyah and Estutik (2020) and Mutairi and Bakar (2023) which place governance as a mechanism to strengthen CSR disclosure. This indicates that in the context of the construction and property sectors in the study period, corporate governance has not served as a bridge linking financial conditions to the level of CSR disclosure. Thus, overall CSR disclosure is more directly influenced by the company's financial capacity than by its governance structure.

5. CONCLUSIONS

This study concludes that the tax burden and profitability (return on assets) have a negative and significant effect on CSR disclosure in construction and property sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period, which means that the higher the tax burden and profitability, the lower the CSR disclosure rate. Good corporate governance (GCG) has no significant effect on CSR disclosure and does not act as a mediating variable, either based on the Sobel test or bootstrap, so that the effect of tax burden and profitability on CSR disclosure is direct (direct effect only); the best model used is the fixed effect model with clustered robust standard error.

Further research is suggested using a longer observation period, adding other variables such as tax avoidance, company size, or reputation, and considering alternative methodologies such as generalized method of moment (GMM) to address potential endogenicity. For companies, the implementation of good corporate governance should not only meet regulatory formalities, but actually create added value and support the improvement of the quality and transparency of CSR disclosure.

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