The Influence of ESG (Environmental, Social, and Governance) on the Performance of Tax Payments in Technology Companies Listed on the IDX for the Period of 2017-2021

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Abstract

State revenues are sourced from various sectors, and one of its sectors comes from taxes. Indonesian state income from taxes is about 78% of total state income. ESG has become a new trend for investors in determining their investment decisions. Every company is not separate from its obligation to pay taxes. Meanwhile, technology companies are the companies that are included in the Indonesian stock exchange, which is one of the sources of tax revenue in Indonesia concerning Environmental, Social, and Governance (ESG). This type of research is quantitative research, and the type of data used secondary data. The population was from the technology company contained in the Indonesian Stock Exchange financial sector from 2022. The sampling technique used in selecting samples was purposive sampling. The results of this study reveal that ESG has no significant influence on the payment of a tax payment technology company that is running on the financial sector listed on the Indonesian Stock Exchange (IDX) since only Environmental variables (ENV) affect tax payment performance. Then, Social (SOC) and Corporate Governance (CGV) have no significant influence on tax payment performance. In addition, as an independent variable, ESG only affects 66.1% of the dependent variable of the tax payment performance.

Keywords: ESG, Tax, Technology Company, Indonesian Stock Exchange.

1. Introduction

The world economy is interconnected through trade and investment. The issue of what reporting companies to stakeholders is important (Nasution et al., 2020). In its development, disclosure regarding financial reports is now deemed insufficient to meet the needs of company stakeholders regarding information. This is what has become a concern for company management as a form of concern and service to stakeholders. A successful stakeholder management strategy should lead to better environmental performance and social performance along with governance performance and possibly also related to financial performance in the future (Management, 2019).

In recent years, the ESG score has become a new trend for investors in determining their investment decisions. Although this issue had appeared a decade ago, until 2016, the Indonesia Stock Exchange (IDX) had not offered written guidelines for ESG reporting, ESG-related training, and had not required ESG reporting as one of the rules for companies to be listed on the stock exchange (Duque-Grisales & Aguilera-Caracuel, 2021; Nizam et al., 2019). Environmental, Social, and Governance (ESG) is a concept that promotes sustainable development/investment/business activities with three main factors, namely environmental, social, and corporate governance aspects. Environmental examines how the business works and its impact on the environment; Social aspect concerns at how companies treat people and concentrating on human rights, employee relations and diversity, labor standards in the supply chain, as well as health and safety; and Governance examines how companies manage themselves. ESG is a company's obligation to improve long-term social welfare that is fair and sustainable for stakeholders (Nizam et al., 2019; Triyono B, Junarsin E, SE, MBA, 2018).
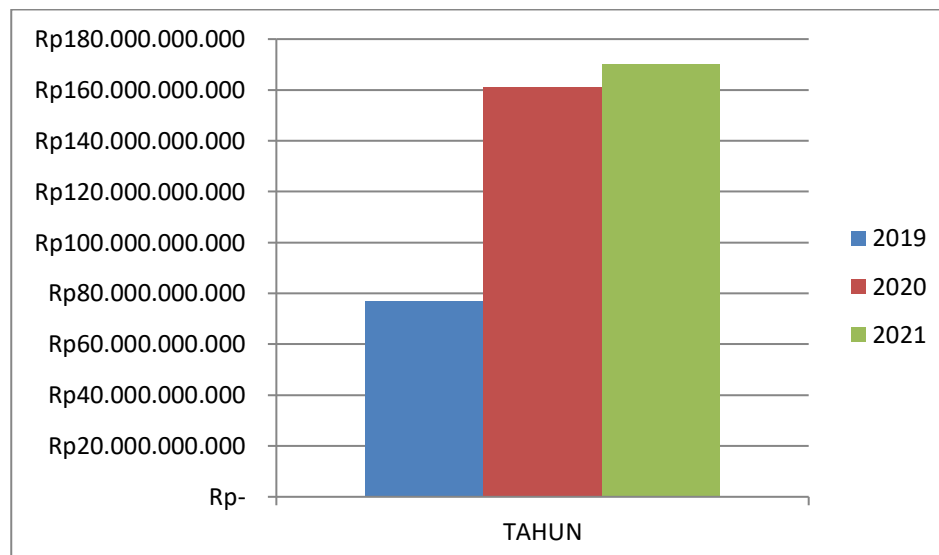
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State revenue comes from various sectors, one of them comes from taxes (Jamil, 2017). Indonesia's state revenue from taxes is around 78% of the total state revenue. ESG has effectively evolved from the same roots as CSR (Corporate social responsibility) in reaction to increasing interest among investors. It is also up to customers and stakeholders to measure the organization's impact on the planet and society. Companies that care about the importance of CSR will be aware of the importance of taxes for society and the country where taxes make a large contribution to state revenue (Riksaning Ayu & Supartoko, 2020).

Every company is inseparable from its obligation to pay taxes (Widodo et al., 2020). Tax is one of the sources of state revenue that is enforced by almost all countries in the world (Kartiko, 2020). The tax problem is a state problem and everyone living in the country has to deal with taxes. Thus, every member of the public needs to know how the tax system condition in their country. In Indonesia, taxes are the main source of revenue which is expected to reduce our dependence on foreign debt. Article 23A on the Constitution of the Republic of Indonesia stipulates that taxes and other levies that are coercive for the needs of the state are regulated by law. This means that the state will not act arbitrarily when collecting some of the people's wealth, even if it is used for the benefit of the people (Janges & PANGESTU, 2021). Meanwhile, based on Law Number 28 of 2007 concerning General Provisions and Tax Procedures (KUP), taxes are mandatory contributions to the state owed by individuals or entities that are coercive by law, by not receiving direct compensation and used for state needs for the greatest prosperity of the people (Iasha, 2021;Tax, 2020). The following is a graph of tax payments for technology companies listed on the IDX in 2019-2021.

Figure 1. Tax payments for technology companies listed on the IDX in 2019-2021.

Source: Financial reports of technology companies listed on the IDX 2019-2021 processed by the author

2. Literature review

Legitimacy Theory states that organizations need to consider the behavior and decisions they make related to their environment (Permatasari et al., 2019). This statement is expected to not only focus on profit aspects, but also to integrate environmental, social, and governance aspects of business processes, which are set forth in the disclosure of sustainability reports to implement responsible and sustainable business practices (Alexander et al., 2018).

Stakeholder theory states that organizations try to increase profits and corporate value in response stakeholder expectations, by identifying, assessing, and evaluating stakeholders who have an impact on stakeholders who are affected by the company's business activities. Agency theory states that agents act as other parties or principals in an organization (Freeman et al., 2021; Kivits & Sawang, 2021). Agency theory conveys the argument that management's task aims to maximize profits for shareholders. Therefore, the investment costs for social responsibility practices are greater than maximizing company value and charging investment expenses to shareholders (Wood et al., 2021).

Taxes are a source of state revenue to finance state development expenditures. They are also a source of funds for the government to finance its expenditures and a medium for carrying out government policies in the economic field. Technology companies are companies that are included in the Indonesian stock exchange, one of the sources of tax revenue in Indonesia regarding to Environmental, Social, and Governance (ESG) (Tajak, 2020; Riduan et al., 2021).

3. Research Method

This type of research is quantitative research and the type of data in this study uses secondary data (Sugiyono, 2019). The population used technology companies in the financial sector on the Indonesia Stock Exchange from 2022. The sampling technique used in selecting the sample in this study was purposive sampling (Sugiyono, 2017).

4. Results and Discussions

In this study, the researchers explained the influence between the previous variables.

4.1. Descriptive Test

This test provides a description of the data in terms of the maximum, minimum, mean, and standard deviation values. This study was tested statistically using the SPSS program as shown in Figure 1.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ENV	81	,0253	,4557	,163463	,0967150	,630	,267	-,081	,529
SOC	81	,0443	,7234	,267319	,1261306	1,200	,267	2,895	,529
CGV	81	,2857	,6667	,390899	,0851307	1,337	,267	1,162	,529
PEFORMA PEMBAYARAN PAJAK	81	,3041	7,1755	1,360869	1,0175584	2,948	,267	13,160	,529
Valid N (listwise)	81								

Figure 1. Descriptive Statistics Results

Based on Figure 1, the results of descriptive statistics show 81 data, which are obtained from the 2019-2021 period (3 years) with a total sample of 27 companies in the technology sector and engaged in the financial sector listed on the IDX. This table describes the descriptive statistics for the independent variables Environmental (ENV), Social (SOC), and Corporate Governance (CGV) with the dependent variable on tax payment performance.

The results of descriptive statistics on the ENV variable show a minimum value of 0,0253 and a maximum value of 0,4557, with an average value of 0,163463. The results of descriptive statistics on the SOC variable show a minimum value of 0,0443 and a maximum value of 0,7234, with an average value of 0,267319. The results of descriptive statistics on the CGV variable show a minimum value of 0,2857 and a maximum value of 0,6667, with an average value of 0,360869.

4.2. Clinical Assumption Test

4.2.1. Normality test

The researcher used the Kolmogorov-Smirnov normality test. The data are normally distributed if the sig value > 0.05, and if the sig value <0.05. So, the data are not normally distributed.

Based on the Figure 2, the sig value in is 0,052. This value is greater than 0,05. So, the data are not normally distributed.

4.2.2. Multicollinearity Test

This test was conducted to test whether there is a correlation between the independent variables or not. Its detection is a multicollinearity problem was carried out by looking at the tolerance value and the variance of the tolerance value (VIF).

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		81
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,96215732
Most Extreme Differences	Absolute	,150
	Positive	,150
	Negative	-,099
Kolmogorov-Smirnov Z		1,349
Asymp. Sig. (2-tailed)		,052

a. Test distribution is Normal.

b. Calculated from data.

Figure 2. Normalitity Test Results

Coefficients[a]

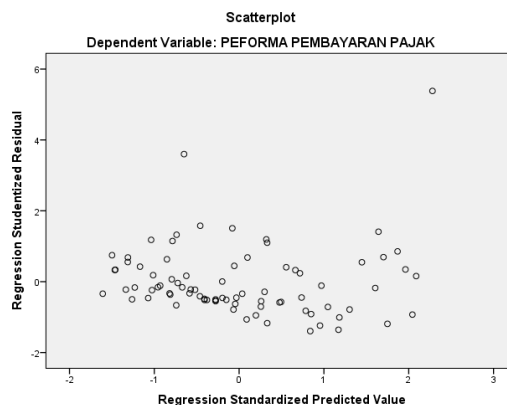| Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-,105	,631		-,166	,868		
	ENV	2,331	1,148	,222	2,030	,046	,974	1,026
	SOC	,361	,890	,045	,406	,686	,954	1,048
	CGV	2,528	1,335	,212	1,895	,062	,931	1,074

a. Dependent Variable: PEFORMA PEMBAYARAN PAJAK

Figure 3. Multicollinearity Test Result

Based on Figure 3, it shows that the independent variable has a tolerance value less than 0.10 and a VIF value greater than 10. This shows that all the independent variables in the regression equation model have no symptoms multicollinearity.

4.2.3. Heteroscedasticity Test

This test was carried out to test whether in the regression model there is a variance dissimilarity from one residual observation to another. In this study, it used the heteroscedasticity test with a Scatterplot graph.

Figure 4. Heteroscedasticity Test Result

Based on the Scatterplot (Figure 4), it can be seen that the plot spreads randomly above and below zero on the Studentized Regression axis. This shows that there are no symptoms of heteroscedasticity in the regression model.

4.2.4. Autocorrelation Test

This test aims to test whether there is a correlation between interference errors in *t*-period and the interference errors using Durbin Watsons.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,325[a]	,106	,071	,9807215	1,747

a. Predictors: (Constant), CGV, ENV, SOC

b. Dependent Variable: PEFORMA PEMBAYARAN PAJAK

Figure 5. Autocorrelation Test Result

Based on Figure 5, the number of independent variables is 3 and the number of observations is 81, which shows a *dl* value of 1.5632 and a *du* value of 1.7164. So, it can be concluded that there is no problem with autocorrelation because the DW value of 1.747 is in the middle of du and 4-du (1.7164 < 1.747 < 2.236).

4.3. Multiple Regression Hypothesis Test

4.3.1. Coefficient Test (R^2)

The coefficient of determination was carried out in research to measure how far the independent variable is able to explain the dependent variable. If the coefficient value is close to one then the independent variable provides almost all the information needed to predict the dependent variation. The independent variables in question are Environmental (ENV), Social (SOC), and Corporate Governance (CGV), and the dependent variable is the performance of tax payments.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,325[a]	,106	,071	,9807215	1,747

a. Predictors: (Constant), CGV, ENV, SOC

b. Dependent Variable: PEFORMA PEMBAYARAN PAJAK

Figure 6. Determination Coefficient Test Result

Based on the Figure 6, it shows a coefficient of determination of 0.71. This indicates that the influence of the independent variable is only able to explain 7.1% of the dependent variable. Meanwhile, the remaining of 92.9% is explained by other factors outside the research model.

4.3.2. Simultaneous Significance Test (F-Test)

The F-test is used to test whether the multiple regression model can be used to predict the dependent variable.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8,774	3	2,925	3,041	,034[b]
	Residual	74,060	77	,962		
	Total	82,834	80			

a. Dependent Variable: PEFORMA PEMBAYARAN PAJAK

b. Predictors: (Constant), CGV, ENV, SOC

Figure 7. F-test Result

Based on Figure 7, it shows the calculated F-value is more than 3.041, with a sig of 0.034. The significance value is less than 0.05, so it can be concluded that Environmental (ENV), Social (SOC), and Corporate Governance (CGV) are simultaneously significant on tax payment performance.

4.3.3. Individual Parameter Significance Test (t-test) and Regression Model Formed

The t-test is used to determine how far the influence of one independent variable in explaining the dependent variable. This study uses a significant level of 5% (0.05).

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-,105	,631		-,166	,868		
	ENV	2,331	1,148	,222	2,030	,046	,974	1,026
	SOC	,361	,890	,045	,406	,686	,954	1,048
	CGV	2,528	1,335	,212	1,895	,062	,931	1,074

a. Dependent Variable: PEFORMA PEMBAYARAN PAJAK

Figure 8. T-test Result

Figure 8 shows the results of the Environmental (ENV) variable which has a significance level of less than 0.05, namely 0,046. Thus, it can be concluded that H_1 is accepted, namely Environmental (ENV) that has a significant effect on tax payment performance. The results of the Social (SOC) variable have a significance level greater than 0.05, of 0,686. Thus, it can be concluded that H_2 is not accepted, namely Social (SOC) variable has no significant effect on tax payment performance. The results of the Corporate Governance (CGV) variable have a significance level greater than 0.05, of 0,062. Thus, it can be concluded that H_3 is not accepted, namely Corporate Governance (CGV) that has no significant influence on tax payment performance.

4.4. Discussions

4.4.1. Environmental Influence (ENV) on Tax Payment Performance

The results of the regression analysis show that the Environmental (ENV) variable has a regression coefficient of 2,331, with a significance level of 0,046. This shows that the first hypothesis which states that the Environmental (ENV) that has an influence on the performance of tax payments is accepted. The corporate environment significantly influences the performance of technology companies operating in the financial sector in paying taxes.

4.4.2. Social Influence (SOC) on Tax Payment Performance

The results of the regression analysis show that the Social (SOC) variable has a regression coefficient of 0,361 with a significance level of 0,686. This shows that the second hypothesis which states that Social (SOC) influence on the performance of rejected tax payments. Social enterprise does not significantly affect the performance of technology companies operating in the financial sector in paying taxes.

4.4.3. The Effect of Corporate Governance (CGV) on Tax Payment Performance

The results of the regression analysis show that the Corporate Governance Variable (CGV) has a regression coefficient of 2,528 with a significance level of 0,062. This shows that the third hypothesis which states that Corporate Governance (CGV) has an influence on the performance of rejected tax payments. Corporate governance does not significantly affect the performance of technology companies operating in the financial sector in paying taxes.

From the discussion of the results of the research above, that Environmental has an influence on tax payment performance while Social and Corporate Governance have no influence on tax payments. Tax payment performance can be caused by a good company's financial performance, so it will affect the company's tax payment performance. This is not in line with research that discusses the effect of environmental, social, and performance governance of financial performance. The results of this study state that environmental performance aspect has a significant negative

influence on company financial performance, social aspect has a positive and significant influence on financial performance, and governance aspect has positive and significant influence on company financial performance (Qodary, 2021). Furthermore, although there are no research directly related to the current research, the above researches still have relevance and connection to the research conducted by the researchers (Barus & Leliani, 2017; Qodary, 2021).

5. Conclusion

Environmental, Social, and Government (ESG) has no significant influence on the performance of tax payments for technology companies operating in the financial sector listed on the Indonesia Stock Exchange (IDX) because only the Environmental variable (ENV) has an influence on the performance of tax payments. Then, Social (SOC) and Corporate Governance (CGV) does not significantly influence the performance of tax payments. In addition, as an independent variable, ESG only has an effect of 7.1% on the dependent variable, namely tax payment performance.

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