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The Effect of Corporate Social Responsibility on Firm Value with Tax Avoidance and Sustainable Financial Performance as Mediators

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Abstract

Research confirms the influence of corporate social responsibility on firm value through tax avoidance and sustainable financial performance. Corporate social responsibility is measured based on the ESG disclosure score. In contrast, firm value is measured using Tobin's Q. Tax avoidance is measured using the effective tax rate, and sustainable financial performance is measured using return on assets. The samples analyzed in this research were 93 public companies listed on the IDX from all sectors. This research uses a purposive sampling method to produce reports on 93 companies in 5 years of company financial reports in 2017-2021. Data analysis used the Partial Least Square SEM technique. The analysis results show that corporate social responsibility has a significant direct effect on firm value, while the mediating role of tax avoidance and sustainable financial performance is not proven. In this research, it can be seen that corporate social responsibility (CSR) has a direct influence on firm value. This shows that stakeholders rely on CSR as a positive image of the company, as in several previous research results, it can describe the value of the company, which has an impact on investors' decisions to invest but indirectly does not influence tax avoidance and sustainable financial performance. The results of this research can provide an additional understanding of the previous theoretical concept that CSR can directly influence firm value. The strategic implications, of course, depend on company decision-makers in communicating CSR activities in their reports when they want investors' attention to the firm value.

Keywords: Corporate Social Responsibility, firm value, sustainable financial performance, tax avoidance.

1. Introduction

Tax avoidance has been a popular issue in many studies recently (Kovermann & Velte, 2019; Zolotoy *et al.*, 2021; Khan *et al.*, 2017; Jiang, 2021; Bauer *et al.*, 2018; Zeng, 2019; Mouakhar *et al.*, 2020; Rahman & Leqi, 2021). Furthermore, tax avoidance has become a primary focus of global reformation because of decreased profit. In the COVID-19 pandemic, Sri Mulyani Indrawati, Minister of Finance of the Republic of Indonesia, stated that many taxpayers had been avoiding tax. Internationally, based on an OECD study, the potential of base erosion and profit shifting hit 100 to 200 billion US Dollars, or equal to 4 to 10 percent of income tax collection globally (Ulya, F., 2021, June 28). Tax avoidance can be done by utilizing the weaknesses of tax regulations so it won't be violating the rules (Oats & Tuck, 2019) even though can be considered as immoral or unethical (Marwat et al., 2021) thus can reduce companies' reputation (Rudyanto & Pirzada, 2021). It is considered unethical because it decreases tax revenue which is used to increase social welfare (Avi-Yonah, 2006; Mehrotra, 2014; Rudyanto & Pirzada, 2021). Tax avoidance is usually done by using some combination, such as shifting taxable income, use debt, and using transfer pricing (Evertsson, 2016).

Tax avoidance can be associated with firm value. In this case, firm value means investors' perception of a company's success rate (Sujoko & Soebiantoro, 2017) because an increase in a firm's value can increase the company's prospects in the future (Salvatore, 2005). Aggressive tax avoidance can cause business complexity and lead to decreased transparency, which can indirectly decrease firm value even though shareholders support this practice (Chen et al., 2014). It also leads to a bad reputation because any sanctions can lower future cash flow, decreasing firm value. Wahab and Holland (2012) find a negative association between tax avoidance and firm value because of the high risk of doing tax avoidance (Kiesewetter & Manthey, 2017). In contrast, some studies stated otherwise. Simone and Stomberg (2012) state that companies profit more from tax avoidance (Chen et al., 2014; Pratama, 2018; Rudyanto & Pirzada, 2020).

Sustainability is also a great issue to be discussed because a firm needs to be sustained by doing many sustainable activities (Jarboui et al., 2020). Sustainability encourages firms to behave more ethically and pay more attention to social and environmental. One

sustainability performance that can be done is by doing corporate social responsibility or usually called CSR. CSR is a concept that integrates the economic, ethical, business, and law of a firm, which is seen by the public (Carroll, 1991). In Indonesia, CSR activity is regulated in Article 74 The Law of The Republic of Indonesia Number 40 of 2007 concerning about Limited Liability Company or Undang-Undang Nomor 40 Tahun 2007 tentang Perseroan Terbatas ("UUPT") which rules about social and environmental responsibility, where a firm, or "Perseroan" must be socially and environmentally responsible, especially a firm that carry out business in fields related to natural resources. This regulation supports social activities done by a firm because it is mandatory, and it can lead to a sustainability. However, this regulation raises suspicion that firms only do CSR only to comply with the rules, and not genuinely an intention to care about social and environmental issues. Moreover, starting from 2022, all public companies that listed in the IDX are required to report their ESG so it can be a guideline for investors to invest (Kumparan Bisnis., 2021, March 22), but this regulation can increase a firm's image and can be a positive sign for stakeholders (Laskin, 2018) and this activity can be a good sign.

This study aims to examine the effect of corporate social responsibility on firm value with tax avoidance and sustainable financial performance as mediating variables. For a firm to be able to increase its value, it needs to do activities that leads to sustainability, which is being socially and environmentally responsible, while not setting aside financial indicators. One of the ways to be more socially responsible is not doing tax avoidance (Bird et al., 2018). With CSR, firms show concern about environment and all stakeholders. This study is important to be done to know whether CSR activity can reduce tax avoidance which can lead to an increasing or decreasing firm value because there were different results from various studies. This study also aims to know whether CSR can reduce or increase sustainable financial performance which also leads to an increasing firm value. To the extent of the researcher's knowledge, there has been no research that addresses this issue, and the relationship of the four variables simultaneously. The results of this study are expected to provide a managerial implication for the firms on how to enhance sustainability concern, because it can lead to a change in firm value.

2. Literature Review

2.1. Stakeholder Theory

Stakeholder theory which was first introduced by Hannan and Freeman (1984) states that leaders of a company should pay attention to all stakeholders, not only shareholders. Stakeholders are every party, both individual and group, who can affect and be affected by a firm's activities (Hannan & Freeman, 1984). Stakeholder theory focuses on organizational management, which behaves ethically and is socially responsible. Building and maintaining good relationships with all stakeholders is an important responsibility of a firm to build a good social community (Du et al., 2013). Firms that use stakeholder theory can interact well with the community, and it could affect sustainability. Stakeholder theory supports a higher commitment to behaving ethically and being socially responsible. Using a stakeholder theory is different from agency theory, which shows a sign of information asymmetry and is not transparent to stakeholders (Jensen & Meckling, 1976).

2.2. The Caux Round Table

The Caux Round Table is a consistent unity of ethics code that rules business ethics and the global responsibility of a firm (Young, 2003). Wegener and Labelle (2017) define business ethics as a compatibility between personal and public interests. Good business ethics does not harm or decrease social welfare (Rudyanto & Pirzada, 2021). Various activities carried out by companies related to stakeholders that are not done by considering business ethics can lead to a negative perception towards them.

2.3. Signaling Theory

Signaling theory states that a firm can give signals to stakeholders about its activities, which are considered different from others (Spence, 2011). This theory shows that companies give signals by releasing many reports voluntarily. In terms of sustainability, firms can give a signal that they have already paid attention to stakeholders through sustainability reports, which can be a signal that stakeholders catch as voluntary reporting and not damaging social welfare (Hardeck & Herti, 2014).

2.4. Corporate Social Responsibility

CSR is a concept that integrates economic, ethical, and legal expectations from the public toward a company or an organization (Carroll, 1991). Based on ISO2600, CSR is also a decision making based on the transparency and ethical behavior of a company (Dakhli, 2021), so all activities are socially and environmentally responsible. Nowadays, CSR is a very general topic to discuss in business, which often leads to social welfare (Hao & Renneboog,

2020). CSR is also using ESG concept or economic, social, and governance in their decision making. Generally, economic concept is companies' activities which can be measured, such as greenhouse effect, energy used, pollution, and environmentally friendly products. Whereas social dimension is the relationship with workers, customers, and society, including how to maintain employees' loyalty, work environment quality, health and safety, and trainings for employees, also how companies can maintain customer satisfaction by generating high quality products which are safe to use (Hao & Renneboog, 2020). Governance leads to ethnic diversity in the board, and how a firm can avoid illegal and unethical practices so it can lead to a better reputation (Lanis et al., 2019). This study used ESG disclosure score, or usually known as ESG score to measure corporate social responsibility.

2.5. Tax Avoidance

Tax avoidance shows an activity done by a company to decrease tax payment to government (Jarboui et al., 2020) which can be done in various ways, one of them is making use of tax regulations (Napitupulu et al., 2019). Tax avoidance can be done aggressively if it does not comply with tax regulations. Tax avoidance can be a factor to explain the quality of a firm's financial statement, and related to ethical behavior of a firm (Hardeck & Hertl, 2014). This practice can increase net profit of shareholders, because it can lower tax expense (Jensen, 2001; Jarboui et al., 2020). Regardless of the profit, tax avoidance can damage a firm's reputation because of any sanctions given, and the tax revenue generated by the government which is used to increase social welfare decreases. This study used effective tax rate or ETR ratio to measure tax avoidance of firms.

2.6. Sustainable Financial Performance

Financial performance is an important thing for a firm. Normally a firm is evaluated based on its financial performance which can be found in financial statement. In this case, we used return on asset or usually called ROA to measure financial performance of a firm (Rodriguez & Fernandez, 2016).

2.7. Firm Value

Firm value is an important indicator for a firm because it shows the firm's long-term goals, so they tend to do activities that can improve firm value. In this modern era, it is hard to bear many demands, so leaders must be able to direct a company well to lead to good firm value (Chen et al., 2014). A firm value itself is a perception from investors about a company's success level (Sujoko & Soebiantoro, 2007). Stakeholders must understand a firm's value to obtain important information affecting decision-making. The higher a firm's value, the more opportunities for shareholders to invest in the company. Firm value can be measured using Tobin's Q.

2.8. The Effect of Corporate Social Responsibility on Tax Avoidance

For a company to remain sustainable and have a good reputation in the eyes of stakeholders, the company needs to make efforts that lead to sustainability. A firm's reputation is built based on business ethics (Rudyanto & Pirzada, 2021). Good business ethics can be demonstrated by taking corporate social responsibility. While based on The Caux Round Table, aggressive tax avoidance can be an example of a bad business ethic (Graham et al., 2014). A company that maintains sustainability will not act unethically and will not violate stakeholder needs because, based on stakeholder theory, a firm that collaborates with all its stakeholders will be able to maintain its sustainability (Hannan & Freeman, 1984). Firms that act based on stakeholder theory will not do tax avoidance aggressively because it can decrease social welfare (Rudyanto & Pirzada, 2021). Some studies show that stakeholders could react positively to tax avoidance because tax expense can reduce a firm's profit, which the profit can be used to prosper all stakeholder's needs (Drake et al., 2019). Besides that, corporate social responsibility can increase expense and decrease profit, decreasing tax avoidance (Jarboui et al., 2020). Based on the explanation above, it can be formulated a research hypothesis:

H_1: Corporate social responsibility reduces tax avoidance.

2.9. The Effect of Corporate Social Responsibility on Sustainable Financial Performance

CSR activity shows concern to all stakeholders in its business environment. Kim and Kim (2014) stated that CSR that leads to sustainability can support a firm's increasing value in the market share. This can happen because a firm builds a good relationship with all stakeholders and gets good feedback from customers, government, creditors, and investors. Besides that, CSR also leads to a reduction of waste, which can also be a reduction on expenses, so other financial performance can be

better. Activity that cares about environment can reduce fines or sanctions given by government (Chin et al., 2009). A good relationship with stakeholders can increase investment from investors so the financial condition will be sustainable. A good relationship will also increase relation with customers, and employees so it can lead to more satisfaction. In another words, company which does CSR can reduce financial risks and bankruptcy compared to companies that don't do CSR (Hammond & Slocum, 1996). Based on the explanation above, it can be formulated a research hypothesis:

H_2: Corporate social responsibility increases sustainable financial performance.

2.10. The Effect of Corporate Social Responsibility on Firm Value

CSR is an activity which gives positive influence on value creation to stakeholders. This value creation can increase a firm's value. Firm value can be an important thing for a firm to fulfill long term goal to survive in business (Chen et al., 2014). CSR is a good start to push a company to focus on long term goals which can enhance firm value. Through CSR, supported by signaling theory stated that a firm gives signal that they had been sustainable. This strategy enhances firm value because all stakeholders react positively. CSR also increases transparency and stakeholders' belief, so it also enhances firm value. Based on the explanation above, it can be formulated a research hypothesis:

H_3: Corporate social responsibility increases firm value.

2.11. The Effect of Sustainable Financial Performance on Tax Avoidance

Financial performance which is measured by a firm's profitability shows how good a firm's financial condition (Wiratmoko, 2018). A firm's profitability can lead to tax avoidance, because tax payable is based on profits generated by companies, as stated in Lionita and Kusbandiyah (2017), and Prakosa (2014). Based on the explanation above, it can be formulated a research hypothesis:

H_4: Sustainable financial performance increases tax avoidance.

2.12. The Effect of Sustainable Financial Performance on Firm Value

Sustainability performance is an activity that shows concern to all stakeholders, based on stakeholder theory, while sustainable financial performance shows firms' performance that leads to long-term sustainability. Therefore, this good performance can be a good factor that enhances firm value (Chen et al., 2014). Consequently, firms with sustainable financial performance can enhance good firm value and reputation in the public's perception. Based on the explanation above, it can be formulated a research hypothesis:

H_5: Sustainable financial performance increases firm value.

2.13. The Effect of Tax Avoidance on Firm Value

Tax avoidance is an activity that reduces tax expenses, which can increase cash flow both short-term and long-term, enhancing firm value (Chen et al., 2014). However, other opinions on tax avoidance can lead to sanctions given by the government, which can lead to a decreasing cash flow and even a bad reputation because practicing tax avoidance is considered unethical and can decrease firm value. Tax avoidance also decreases transparency, whereas transparency is needed in stakeholder theory, and decreasing transparency will also decrease stakeholders' trust, which can decrease firm value (Kiesewetter & Manthey, 2017). Based on the explanation above, it can be formulated a research hypothesis:

H_6: Tax avoidance decreases firm value.

2.14. The Mediating Role of Sustainable Financial Performance on The Effect of Corporate Social Responsibility on Tax Avoidance

Sustainable financial performance will generate good performance in society and the environment, so companies that show great responsibility will avoid tax avoidance (Gonzales & Ramirez, 2019). So, if a company's financial performance is already good, it can affect CSR activities and the sustainability performance of that firm. It will also affect tax avoidance because a firm with high sustainability performance or a good CSR practice will be more socially responsible to stakeholders and will not do aggressive tax avoidance. In this term, tax payment is a form of a firm's contribution to social welfare because tax is generated to increase it. Based on the explanation above, it can be formulated as a research hypothesis:

H_7: Sustainable financial performance mediates the effect of corporate social responsibility on tax avoidance.

2.15. The Mediating Role of Sustainable Financial Performance on The Effect of Corporate Social Responsibility on Firm Value

CSR can give positive impact on value creation to stakeholders, one of them is sustainable financial performance. This value creation is a factor that enhances firm value. Firm value itself can make companies to stay in business (Chen et al., 2014). CSR supports firms to focus on long term goal while enhance financial performance. With CSR that leads to sustainable financial performance, can also enhance firm value in stakeholders' perspective. CSR also supports transparency which positively affects firm value. Based on the explanation above, it can be formulated as a research hypothesis:

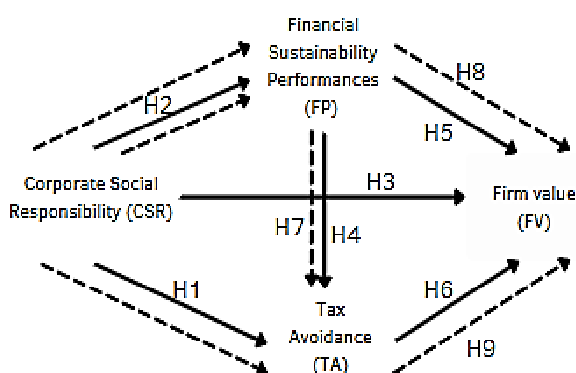
H_8: Sustainable financial performance mediates the effect of corporate social responsibility on firm value.

2.16. The Mediating Role of Tax Avoidance on The Effect of Corporate Social Responsibility on Firm Value

CSR can be a factor to show if there is tax avoidance done in a company (Evertsson, 2016). Therefore, tax avoidance can affect transparency from management to stakeholders which can reduce investors' trust towards companies, this can lead to a decreasing firm value (Chen et al., 2014). CSR could affect tax avoidance, and this activity also lead to firm value of a company. Based on the explanation above, it can be formulated as a research hypothesis:

H_9: Tax avoidance mediates the effect of corporate social responsibility on firm value.

The research model and relationships between constructs are demonstrated in Figure 1.



Note: 1. Solid lines indicate a direct relationship, and dotted lines indicate an indirect relationship

Figure 1. Research model and construct relationship

3. Methods

3.1. Population and Sampling

This study used quantitative methods to explain the relationships between variables' causal relationships. This research population is public companies registered on Indonesian Stock Exchange (IDX) on 2017-2021, which are 707 companies from many sectors. Of the 707 companies, 93 were selected samples using purposive sampling method. Purposive sampling criteria were 1) Registered on IDX from 2017-2021, 2) Companies reported financial statements completely, 3) Financial statements using IDR currency, and 4) Companies released sustainability reports on 2017-2021. Only 93 samples could be observed because few companies met criteria two and four.

3.2. Data Analysis

Data analysis used the Partial Least Square (PLS) technique. The analysis is performed in two steps: outer model and inner model assessment. Outer model assessment includes validity and reliability tests. At the same time, the inner model test includes R-square and hypothesis testing. Hypothesis testing is performed by a bootstrapping process automatically conducted by the software. Bootstrapping is a process of calculating the t-statistic and probability values to examine whether the hypothesis is supported or not.

3.3. Measurement Items

This study involves four constructs: corporate social responsibility, measured using ESG disclosure score; tax avoidance, measured using effective tax rate (ETR); sustainable financial performance, measured using return on asset (ROA); and firm value, measured using Tobin's Q. The measurement item for each construct has been explored in the previous literature review and is summarized in Table 1.

Table 1. Variables and indicators

Variable	Abbreviation	Indicator
Food	CSR	ESG Score
Sustainable Financial Performance	SFP	ROA
Tax Avoidance	TA	ETR
Firm Value	FV	Tobin's Q

4. Results

4.1. Sample Profile

The samples used in this research are from companies in all sectors registered in the IDX. The total samples were 93 companies within 2017-2021

so it makes 465 firm-year observed. The samples based on each sector are shown in Table 2.

Table 2. Industry sector profile

Industrial Sector	Population	Sample	Percentage
Finance	95	17	18%
Trade, Services and Investment	175	17	22%
Basic Industry and Chemicals	79	12	13%
Mining	48	12	13%
Property and Real Estate	91	11	12%
Consumer Goods	63	10	11%
Infrastructure, Utility and Transportation	80	7	8%
Miscellaneous	53	4	4%
Agriculture	23	3	3%
Total	707	93	100%

Table 3. Descriptive analysis

Position	Min	Max	Mean	Std. Deviation
CSR (ESG Score)	21.06	64.01	39.07	9.89
FV (Tobin's Q)	0.88	13.11	7.18	3.47
TA (ETR)	1.53	114.45	26.35	16.50
SFP (ROA)	0.23	37.11	6.14	6.04

4.2. Outer Model Test

Data analysis is carried out in two stages: measurement model assessment and hypothesis testing. Measurement model assessments include convergent validity, average variance extracted, discriminant validity, and composite reliability of measurement indicators (Hair et al., 2014). A construct will be considered valid if each indicator has outer loading value greater than 0.7 and AVE is greater or equal to 0.5.

Table 4 indicates the outer loading value for each indicator, greater than 0.5. Thus, all indicators are considered satisfied for convergent validity (Hair et al., 2017). Table 4 also shows a AVE value of greater than 0.5, meaning the data is valid. The Cronbach's Alpha is greater than 0.7 so the composite reliability is satisfied and the data is considered reliable.

Table 4. Outer model and AVE test

Variabel	Indicators	Outer Loading	Cronbach's Alpha	AVE
Corporate Social Responsibility (CSR)	ESG Score 2017	0.788	0.820	0.590
	ESG Score 2018	0.821		
	ESG Score 2019	0.874		
	ESG Score 2020	0.757		
	ESG Score 2021	0.564		
Sustainable Financial Performance (SFP)	ROA 2017	0.837	0.913	0.700
	ROA 2018	0.849		
	ROA 2019	0.811		
	ROA 2020	0.816		
	ROA 2021	0.870		
Tax Avoidance (TA)	ETR 2017	0.655	0.887	0.651
	ETR 2018	0.849		
	ETR 2019	0.845		
	ETR 2020	0.864		
	ETR 2021	0.802		
Firm Value (FV)	FV 2017	0.929	0.898	0.731
	FV 2018	0.949		
	FV 2019	0.936		
	FV 2020	0.892		
	FV 2021	0.468		

4.3. Discriminant Validity

The discriminant validity tests the correlation of indicators with other variables. Table 5 shows the results of the Fornell-Larcker analysis, which shows the square root results of the AVE of the four research variables (written in bold) are greater than the correlation among constructs. This result satisfies the criteria for discriminant validity (Hair et al., 2017).

Table 5. Fornell-Larcker analysis result

	CSR	FV	SFP	TA
CSR	**0.572**			
FV	0.557	**0.646**		
SFP	0.110	0.126	**0.579**	
TA	0.128	0.132	-0.105	**0.560**

In this stage will see the values of R-square and Q-square. The values of R-square can be seen in Table 6.

Table 6. R-square analysis result

Construct	R Square
Corporate Social Responsibility	0.193
Firm Value	0.631
Sustainable Financial Performance	0.565
Tax Avoidance	0.704

4.4. Hypothesis Test

Table 7 shows the results of the direct hypotheses test, namely H_1 to H_6, where one hypothesis is signi-

ficantly supported by the data, but other 5 hypotheses are not supported.

Table 7. Direct path coefficient results of direct hypothesis

Variable Relationships	Path Coefficient	T Statistics	P Values	Remark
Corporate Social Responsibility → Tax Avoidance (H1)	0.211	0.955	0.339	Not Accepted
Corporate Social Responsibility → Sustainable Financial Performance (H2)	0.018	0.164	0.870	Not Accepted
Corporate Social Responsibility → Firm Value (H3)	0.782	15.332	0.000	Accepted*
Sustainable Financial Performance → Tax Avoidance (H4)	-0.044	0.342	0.732	Not Accepted
Sustainable Financial Performance → Firm Value (H5)	0.138	1.832	0.067	Not Accepted
Tax Avoidance →Firm Value (H6)	0.032	0.502	0.616	Not Accepted

Based on Table 7, H_3 has p-value below 0.05 with a t-statistical value above 1.96. This suggests that H3 is accepted. Meanwhile H_1, H_2, H_4, H_5, and H_6 are not accepted because the p-value are higher than 0.05.

Table 8. Indirect path coefficient

Variable Relationships	Path Coefficient	T Statistics	P Values	Remark
Corporate Social Responsibility → Sustainable Financial Performance → Tax Avoidance (H7)	0.197	0.396	0.692	Not Accepted
Corporate Social Responsibility → Sustainable Financial Performance → Firm Value (H8)	0.091	0.057	0.955	Not Accepted
Corporate Social Responsibility → Tax avoidance → Firm Value (H9)	0.249	0.161	0.872	Not Accepted

Based on Table 9, the p-value for H_7-H_9 is above 0.05. This finding suggests that the all indirect hypotheses are not accepted. Figure 2 shows the results of a test of relationships between variables using SmartPLS software. Figure 3 shows the results of a hypothesis testing between variables using SmartPLS software and bootstrapping method.

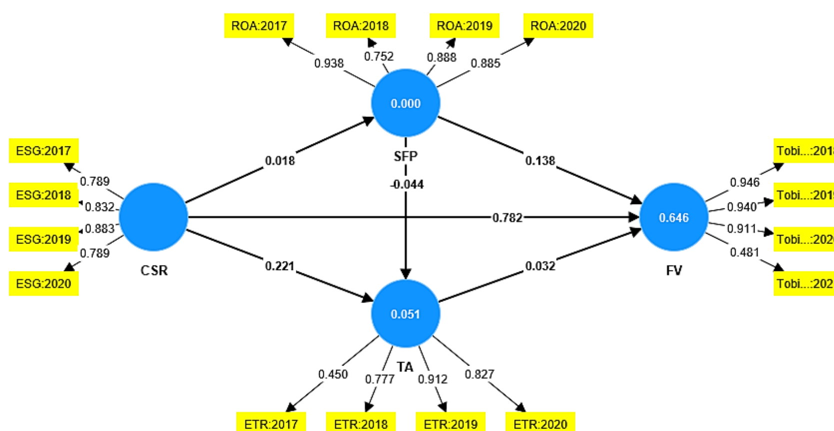


Figure 2. Research inner model test results

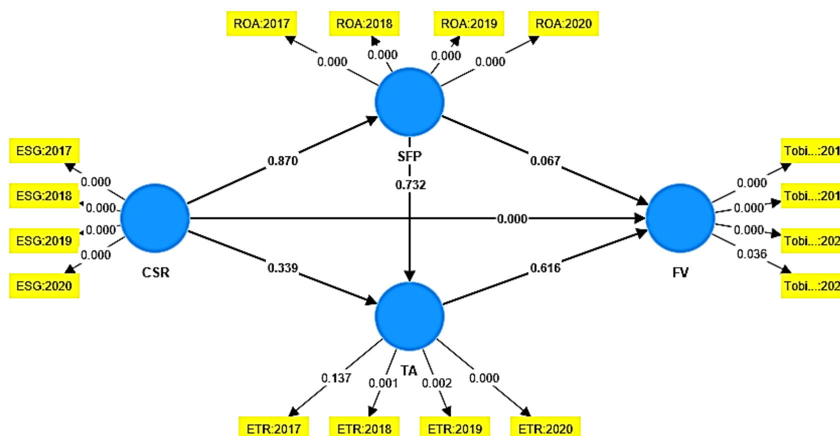


Figure 3. Research significance test result

5. Discussion

The results of the hypothesis test show only one hypothesis that accepted and is significantly supported by the data, which is the third variable stated that corporate social responsibility directly affects firm value. This means that CSR activities done by companies can increase their value to stakeholders. This can happen because CSR can increase value given to stakeholders, so they give positive feedback towards companies. Moreover, CSR can be a signal for a company that shows they had done better than other companies so a company's image is built (Spence, 2011). Good CSR activities will increase its value because stakeholders react positively because of that good image, and will trust and invest more to the company (Chen et al., 2014). Positive reactions mean a desire to have the company's share. This desire can increase a company's share price that can also increase the market share, which also lead to an increase in a firm's value. It is also stated by Hannan and Freeman (1984) that companies adopting stakeholder theory can interact well with community which affect sustainability, and this could increase companies' image. Besides that, stakeholder theory shows a good understanding of stakeholders' needs which give positive impact to sustainable practices.

However, this research cannot prove that corporate social responsibility has an impact on tax avoidance and sustainable financial performance significantly. First, CSR does not affect tax avoidance because CSR done by a company is not a way to make a tax avoidance. CSR is a regulation that must be done, which is not related to tax avoidance whether it is done or not, even though expenses generated by doing CSR can be deductible, but it is not proven significantly. CSR itself is an activity which is done to public and other stakeholders with activity engaging in economic, ethics, and legal expectation (Carroll, 1991), including employees' welfare (Hao & Renneboog, 2020) and also good governance because CSR's dimensions are ESG (Economic, social, and governance), with that many dimensions, it's not only related to tax payment significantly even though decision to make tax avoidance is within ESG dimension. Second, CSR also does not affect sustainable financial performance directly. This can happen because CSR mostly give impact on companies' image and more related to long term goal. This is not associated with financial performance, which is more short term (Kim and Kim, 2014). CSR is done to give signals to stakeholders that companies have good and positive image by doing CSR, and this is not affecting financial performance directly. Moreover, CSR engages with sustainability but it is not able to increase financial performance using ROA indicators, and companies doing CSR is not always better in financial than companies who don't do CSR.

The result of this research also cannot prove that sustainable financial performance has an impact on tax avoidance and firm value. This means that financial performance of a company is not correlated with tax avoidance activity in a company, but looking at the path coefficient value from sustainable financial performance and tax avoidance was a negative value, it shows a tendency that having a good financial condition make companies do tax avoidance to reduce tax expense, but unfortunately it cannot be proven significantly. Meanwhile, in association with firm value, sustainable financial performance also does not have significant impact. This can happen because firm value is not only obtained by having a good financial performance, as it is already explained above that firm value is defined by showing interest to all stakeholders. Tobin's Q ratio is also not defined by only financial indicators, but more from market share of a company which is also explained using stakeholder theory (Hannan & Freeman, 1984).

The direct effect of tax avoidance to firm value is also not supported. This result explains that tax avoidance is not related with firm value. Tax avoidance done by a company is not affecting stakeholders' assessment on that company significantly. Tax avoidance itself is more related to government because companies will look for any ways to reduce their tax payment (Jarboui, Saad, Riguen, 2020), which is not the primary focus of stakeholders. It is related to companies' compliance to tax regulations (Napitupulu, Situngkir, & Edelia, 2019), but not significantly related to other stakeholders. In association with stakeholder theory, a long-term firm value is generated by many aspects related to all stakeholders.

In that regard, all mediating variables impact cannot be supported in this research. Mediating variable sustainable financial performance does not mediate the effect of corporate social responsibility to tax avoidance, because financial performance does not get affected by corporate social responsibility, and sustainable financial performance does not affect tax avoidance. Sustainable financial performance and tax avoidance do not mediate the effect of corporate social responsibility on firm value, even though the direct relationship between corporate social responsibility and firm value is significantly supported. This shows that even without a good financial performance, a firm can have a good firm value if they do corporate social responsibility well.

This can be explained using signaling theory (Spence, 2011) that CSR already shows good signals of a firm's good performance, so the ratios in financial performance are not significantly needed by all stakeholders. Lastly, tax avoidance as mediators in the effect of corporate social responsibility to firm value is also not significantly supported because stakeholders also don't consider tax as an important aspect to be cared about when looking for a company to invest, as long as the firm has good image, and it is already shown by doing good CSR as explained above.

5.1. Managerial Implications

Based on the research results, it appears that CSR activities can have a direct influence on firm value as the most important thing for investors. A company's CSR depicts a positive image in the view of stakeholders without having to look at its financial reports. The strategic implication is that companies need to maintain a good image, not only CSR which is able to influence the value of the company in the eyes of investors. The selection of other variables as mediation that describe the indirect influence of CSR on firm value needs to be carefully considered.

5.2. Theoretical Contributions

This research contributes to existing theory, namely the direct influence of corporate social responsibility (CSR) on firm value. The research results show that there is a direct influence of CSR on firm value so that this hypothesis can be proven. Including tax avoidance variables and sustainable financial performance as mediation to explain the indirect effect of CSR is not proven. Selection of appropriate mediating variables to explain firm value needs to be done as a way to attract investors.

5.3. Limitation

This study has a limitation, particularly the unspecific sample because it covers all sectors in Indonesia, which can have different impact from their financial ratios, for example in term of effective tax rate, because different sectors have different method to calculate their tax expense. This research also sets aside the effect of control variables outside of main variables which are the focus of this research. For this reason, future research needs to be more specific with choosing sectors or industries to cover. It is also suggested to involve other variable controls and recently trending constructs related to sustainability.

6. Conclusions

Research examining the influence of corporate social responsibility (CSR) on firm value can prove to be significant as a direct influence. It is also not proven that there is an indirect influence through tax avoidance and sustainable financial performance. In assessing firm value, Indonesian investors prioritize the company's image as represented by CSR activities compared to other financial reports.

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