
The influence of corporate social responsibility on share price before and after tax amnesty

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Abstract: With a purpose to provide a more profound clarification in regards to socially and environmentally responsible cultures among Indonesian natural resources industry, this study highlights the empirical confirmation on the correlation between corporate social responsibility (CSR) and share price. Kinder, Lydenberg, and Domini's (KLD) measurement approach is used as a basis to assess CSR performance since it gives more social rating transparency. Panel data analysis and paired sample T test are carried out on 83 Indonesian listed firms in the natural resources industry. The study finds a significant difference in the CSR performance and Tax Amnesty between before and after tax periods. The empirical result suggests that the CSR performance serves as a tool in assisting investors to value share prices. This is the first study, which observes and proves that tax amnesty 2016 gives a significant impact on Indonesian natural resources industry's CSR and share price.

Keywords: corporate social responsibility; KLD; share price; natural resources industry; tax amnesty.

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1 Introduction

In recent years, social and environmental issues have become significant concerns for communities in general because it binds the significance of such issues to fulfil society's expectations. It is necessary for companies to set suitable management strategies to fulfil those expectations to maintain a reputation that further influences a firm's financial performance. One strategy to answer a community's expectation is by implementing CSR (Vargas, 2016). CSR is the way to assure that a company acts within the norms of the society where it operates (Lanis and Richardson, 2013). The importance of how CSR can affect a firm's long-term survival makes CSR develop continuously over the decades (Moura-Leite and Padgett, 2011).

In line with CSR development, the CSR concept has raised pro-contra for many years. It has been widely adopted across countries in the world with a different implementation across countries because of the different conditions and necessities of each country.

CSR aims to fulfil society expectations that further affect companies' reputation firm performance. However, other than meeting societal expectations, research has shown that there is another factor that triggers companies' courage to practice CSR. Previous

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research found that CSR performance is associated with taxation avoidance (Lanis and Richardson, 2013). Another perspective stated that socially responsible companies use their resources to CSR activities rather than paying a higher tax to achieve their social responsibility goals. Under this point of view, fewer taxes yield greater social benefit (Davis et al., 2016).

On the other side, taxation is the biggest revenue contributor for Indonesia, which relies on tax revenue as the source of income. In 2018, revenue amounted 1618.1 quadrillion rupiahs is contributed by tax revenue, it is 5.88 times higher than the other non-taxation revenues, which is 275.4 trillion rupiahs (Ministry of Finance, 2018). As taxation is a substitution of CSR as mentioned earlier, after introducing the mandatory CSR for natural resource based companies in 2007, Indonesia Government revised the content in Law No.36/2008 Income Tax. The revised Law No 36/2008 comprises new attributes that CSR expenses could act as tax-deductible expenses (Law of the Republic of Indonesia, 2008). The aim is to encourage compliance on CSR and taxation. Realising the correlation between taxation and CSR, this paper attempts to include taxation aspect when analysing CSR-related topic while using the tax amnesty period as a cutoff of the observation. The tax amnesty is chosen because it becomes the highlight of Indonesia's economic growth because of its success. It has a purpose to increase compliance by reducing tax avoidance, which is related to CSR when referring to prior studies.

This study tests the legitimacy theory empirically by comparing CSR performance before and after Tax Amnesty 2016. Exploring the CSR performance impact on Share Price for the natural based companies. This paper is the first attempt to observe the association between CSR and share price with the contributing new evidence on how is the significance of the tax amnesty program affects the CSR performance. The insight to include the taxation comes from the background that taxation plays a significant role in Indonesia. Besides, the success of the Tax Amnesty 2016 among other countries and its significance on Indonesia's economy become the reasons why the tax amnesty period is chosen. Furthermore, tax amnesty 2016 is a significant factor in arousing public concern over enterprises and is, by definition, a policy that is consistent with general societal expectations, which is interpreted as legitimacy theory. Companies presently attempt to make progressively efforts to build their CSR practices, which is altogether different from an earlier time. Initially, companies believed that their responsibility was only to obtain returns and comply with the law, particularly in areas where penalties were usually applied. Thus, the aim of this study to contribute evidence on how the success of tax amnesty 2016 brings significance on the CSR performance on the share price and provide a more insightful result that represents the most current condition in Indonesia.

2 Literature review and hypothesis

2.1 About Indonesia

Indonesia is the fourth most densely inhabited country and the third largest democracy country. It has the biggest archipelago and it is positioned among the Indian Ocean and the China Sea. Indonesia has become one of the foremost rising economies in the world. The inhabitants are really diverse with approximately 300 languages (Dana, 1999; Dana, 2014). Jakarta, the capital city of Indonesia, is recorded as the second most heavily populated city in the world. Recently, Indonesia has been noted as the 10th biggest

economic system in the world concerning purchasing power parity (PPP). Moreover, Indonesia has gained immense profits in poverty reduction, cutting the poverty price by 9.4% in 2019 (World Bank, 2020). Besides, Indonesia is active in various international trade and protection organisations such as ASEAN, OPEC, World Trade Organization (WTO) and the UN (United Nations).

2.2 CSR and legitimacy theory

Based on the legitimacy theory, companies can influence the perception of companies by implementing a good CSR practice. It implies that, with a good level of CSR practice companies can earn legitimacy required to maximise financial performance. Based on legitimacy theory, a company's permission to exist appears when there is a congruence between a company's value and social value where the company operates. Therefore, if there is a disparity between those values, the existence of a company will be threatened (Lanis and Richardson, 2013). While under stakeholder theory, to succeed over times, companies must create values for the stakeholders. Stakeholder theory states that the more important the stakeholder to the organisation, the more essential for a company to put effort to manage and maintain the relationship with this stakeholder. Thus, based on the stakeholder theory context, CSR practice is how to increase the trustworthiness of a company and strengthen the relationship with the significant stakeholder (Ching and Gerab, 2017). Based on the previous researches, there are many ways to measure CSR performance such as Kynder, Lydenberg, and Domini (KLD) database (Garcia-Castro et al., 2009) and GRI (Klerk et al., 2015). This paper is using KLD as the measurement of CSR performance. KLD technique is picked as a basic proxy of CSR level as it has been generally utilised in previous leading management journals (Nguyen and Nguyen, 2015; Alikaj et al., 2017).

2.3 CSR and share price

Plenty of studies have been conducted globally to examine the meanings of CSR performance, including influencing towards corporate performance. Organisations have one prime question regarding whether it pays off to engage in CSR. Angelia and Suryaningsih (2015) and Usman and Amran (2015) found that CSR performance concurrently affects the company's profitability. The reason is a company's net income is derived after deducting sales revenue with the cost of goods sold (COGS), expenses, and taxes. It means that CSR practice should be viewed as an investment not an expense for the company (Devie et al., 2019; Htay et al., 2012; Kim et al., 2014; Sadou et al., 2017). As companies with better environmental performance gain a good response, such as from investors and consumers, it can bear a fine revenue in the long run.

Share price refers to a firm's expected future cash flow. As a result, it gets more aim results on companies' financial performance (Sarumpaet et al., 2017). Previous study by Sarumpaet et al. (2017) on previous research found a positive correlation between CSR performance with share price. As explained earlier, CSR performance is the company's effort to maintain the relationship with stakeholders. Additionally, companies with good CSR performance can have a higher legitimacy which may improve their competitive advantages and positive investor responses as reflected in share prices. Legitimacy refers to the degree to which the stakeholders regard a company's actions as both appropriate and useful or when the company's performance is socially accepted and judged to be fair

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and worthy of support (Sarumpaet et al., 2017). Thus, to analyse the impact of CSR performance on share price in Indonesian companies, the following hypothesis is constructed:

H1. CSR performance has a positive impact on share price.

2.4 CSR and tax amnesty

CSR is implied to offset the tax payment. Prior literatures mentioned that taxation and CSR have a substitute correlation rather than complementary (Davis et al., 2016). Since taxation and CSR are both companies' expenditures, environmentally responsible companies will choose CSR to build a good society perception over paying a higher tax. Under this point of view, companies believe CSR can yield greater social benefit rather than paying a higher tax. The explanations from prior literatures indicate that taxation affects CSR performance. Additionally, some studies (Deegan, 2002; Lanis and Richardson, 2013; Alakent and Ozer, 2014) have discovered that corporate policies and activities that raise public concern because they fall underneath community expectations can add to the de-legitimisation of a company. Companies constantly try to ensure that they operate within the bounds and norms of society (Deegan, 2002). Further, Lanis and Richardson (2013) mentioned that CSR broadly as "including the concern for the impact of all of the corporation's activities on the total welfare of society." Legitimacy theory indicates that when there is a discrepancy between corporate actions and societal expectations. Henceforth, organisations need to show that they are complying with the social contract by do more CSR initiative in line with society's expectations. Narrowing the scope to Indonesia, to encourage compliance on both mandatory CSR and taxation, the regulators revised the Law 36/2008 about income tax for natural resource based companies in 2007 (Law of the Republic of Indonesia, 2007). The revision consists of the additional attributes that allow tax-deductible expense for CSR particular specific activities. It gives a hint that the Indonesian government knows that CSR and taxation are substitutive. Researches from Indonesia get additional evidences that CSR performance increases when there is an enactment of tax deductible for CSR practice as stated in Law 36/2008 about income tax. The tax amnesty 2016 is the most successful taxation program that has ever been implemented. In 2016, the taxpayer compliance increased up to 63.15%, then in 2017, it became 72.6%, achieving 96.8% of the 75% target (Noor, 2018). The finance minister, Sri Mulyani also proved that the tax amnesty 2016 became the most successful tax amnesty around the world (Ariyanti, 2017). Additionally, according to the finance minister in 2016, the number of public listed companies joining the tax amnesty were 171 out of 537 go public companies joining the tax amnesty 2016 (Ariyanti, 2017). The number indicates that the tax amnesty 2016 successfully has increased the taxation compliance as the tax evasion has reduced. As previously explained that tax evasion is the substitute of CSR initiative, the successful implementation of the tax amnesty 2016 has brought the difference of CSR performance among companies as taxpayers. Subsequently, because of the significance impact of taxation on CSR performance, this research attempts to analyse if there is a difference in the CSR performance in relation with taxation effect, that is tax amnesty.

H2. There is a difference in CSR performance before and after the implementation of the tax Amnesty 2016.

2.5 Share price and tax amnesty

Indonesia tax amnesty in 2016 slightly shows the impact on Indonesia's economy, shown by the increase of Jakarta Composite Index (JCI) that reached 5400, which is the highest number for the past 10 years. It indicates that publicly listed companies are positively impacted by the tax amnesty (Investments, 2018). As tax amnesty creates compliance on companies, it gives a hint to investors that companies are increasing their compliance through CRS practice and performance. As a result, investors' valuation towards the companies has escalated as evidenced on higher JCI after the tax amnesty. Higher Jakarta composite index might also imply share investment attractiveness in Indonesia, which might influence Indonesia's economy such as the decrease of bank interest rate and cost of capital for investment. Those are the supporting facts that tax amnesty might affect other areas beyond taxation areas, such as share valuation that further drives the Indonesia's economy. As a result, investors' valuation towards the companies has escalated as evidenced on higher JCI after the tax amnesty. Higher Jakarta composite index might also imply share investment attractiveness in Indonesia (Manik et al., 2017). Research conducted to analyse the influence of first period of tax amnesty on share price in the property sector as measured by abnormal return has not shown a significant reaction from investor (Manik et al., 2017). Other researchers analysed the different of abnormal returns 10 days before and 10 days after the event on companies registered in LQ-54, it provided evidence that there is a significant abnormal return difference in period II and III (Cahyono and Fitradiansyah, 2017). Other research stated that, as tax amnesty creates compliance on companies, it gave a good signalling effect to investor (Agustina et al., 2018). Therefore, Lanis and Richardson (2013) argued that in legitimacy theory context, legitimate necessities governing a corporation give the explicit terms of the social contract. Tax amnesty as part of legal requirement may impact the CSR performance and definitely influence the share price. Additionally, Information regarding CSR performance can be value-relevant if it provides additional information to the accounting numbers and valued by investors as reflected in increased share prices (Sarumpaet et al., 2017; Middleton, 2015). Due to the variability of the result because of the different companies, measurement and period being analysed, this research analyses the difference of the share prices two years before and two years after the implementation of the tax amnesty 2016. Hence, the third hypothesis is:

H3. There is a difference in the share prices before and after the implementation of the tax Amnesty 2016

Moreover, Lanis and Richardson (2013) mentioned that organisations normally look to legitimise and support connections in the more extensive social and world of politics in which they operate, and, without such legitimacy, they would not survive, irrespective of how well they may perform financially. Lindblom (1994) defined organisational legitimacy as "a status, which exists when an entity's value system is congruent with the value system of the larger social system of which an entity is a part. When a disparity, actual or potential exists between the two value systems there is a threat to the entity's legitimacy." Likewise, the relationship among individuals, organisations and society is often viewed as a "social contract" (Deegan, 2002). Previous hypotheses have analysed the relationship of CSR and share price separately in relation to tax Amnesty 2016. Thus, the last hypotheses attempts to contribute an additional evidence, by analysing the difference of the overall significance of CSR performance on share price. This research

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aims to test if there are different investor reactions on companies' CSR compliance; whether the investors become more or less reactive towards CSR performance after tax amnesty. Prior studies have observed the reaction of capital market investors on the implementation of tax amnesty (Wibowo and Darmanto, 2017), while this research attempts to analyse the investors' reaction on the CSR performance in relation to the tax amnesty in the following hypothesis:

H4. There is a difference in the influence of the CSR performance on the share prices before and after the implementation of Tax Amnesty 2016

3 Research method

3.1 Samples

The sample companies involved are the listed entities in the Indonesian Stock Exchange from 2014 until 2017. The companies are classified in the natural resource industry sector, such as: mining, agriculture, and basic industries. This research uses all secondary data sufficiently provided by the annual reports, the sustainability reports, the Bloomberg reports, and the other reliable sources.

Table 1 Summary of the sample observed

<i>Sampling Criteria</i>	<i>Number of Companies</i>
Number of companies listed in IDX between 2014–2017	607
Number of companies that are not categorised in natural resource based companies based on government Regulation 47 year 2012	(453)
Number of companies that financial and CSR information are not publicly available within 2014–2017	(73)
Total companies used in this research	83
Total years of observation	4
Total sample of observation (in reports)	332

Eventually, as seen in Table 1, total samples observed that meet the criteria in this research are 83 companies multiplied by 4 years, which makes 332 firm year observations.

3.2 Measures

3.2.1 Dependent variables

Share price as the dependent variable reflects a firm's expected future cash flow. As a result, it obtains more objective results on companies' financial performance (Sarumpaet et al., 2017). This research uses the market value of the equity approach introduced by Ohlson, which is consistent with the previous research (Sarumpaet et al., 2017; Vargas, 2016; Han et al., 2016). Ohlson model defines that the market value is the equation of book value, accounting earnings and non-accounting information. The complete formula is:

$$MVE_t = \alpha_0 BVE_t + \alpha_1 EARNSt \quad (1)$$

Market value itself is the equation of market price of a company's share multiplied by the number of shares outstanding:

$$MVE = SP \times \text{Number of Share outstanding} \quad (2)$$

$$SP = \frac{MVE}{\text{Number of Share Outstanding}} \quad (3)$$

Thus, to obtain the share price from the equation (1), market value, book value, and earnings are scaled by total share outstanding. The formula is:

$$SP_{i,t} = \beta_0 + \beta_1 BV_{i,t} + \beta_2 EARN_{i,t} + \varepsilon_{i,t} \quad (4)$$

SP_t = Share Price on company i at time t

β_0 = Intercept

BVE_t = Book Value of Equity Per share on company i at time t

$EARN_{i,t}$ = Earning Per Share on company i at time t

ε = Regression Error

Moreover, the equation is added by non-accounting information the research wants to measure. The inclusion of non-accounting information in the formula makes Ohlson model become the most appropriate to measure the influence of Corporate Social Responsibility (CSR) performance on share price. In this research, the model was extended to include other financial information from control variables. The formula from Ohlson model used in this research as follows:

$$SP_{i,t} = \beta_0 + \beta_1 BV_{i,t} + \beta_2 EARN_{i,t} + \beta_3 CSR_{i,t} + \varepsilon_{i,t} \quad (5)$$

$SP_{i,t}$ is the price on the last day of the month, three months after the end of the financial year for 2014–2015 annual report (31 March 2015 & 2016) and 4 months after the end of the financial year of 2016–2017 annual report (30 April 2017 & 2018). Three and four months after the financial year are used to allow time for publication and analysis. The different dates of the measurement between annual reports published before 2016 and after 2016 occurs due to the revised regulation of annual report deadline submission disclosed in No.4/POJK.4/2016, which previously stated in KEP-346/BL/2011. Starting for the annual report published in 2017, the deadline of the submission is four months after the financial year (30 April), which previously the deadline is three months (31 March).

$BV_{i,t}$ is the book value of equity derived from the difference between the total assets and the total liabilities scaled by the total share issue. The book value is measured by the end of the financial year, while the number share issued is based on the last day, three months after the end of a financial year. The book value is essential because, as the product of balance sheet, it provides information that affects the value of equity (Sarumpaet et al., 2017).

$EARN_{i,t}$ is the net earnings after interest and a tax expense on company i , after the interest and the tax measured by the annual earnings, divided by the number of shares

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issued at the last day of the month, three months after the end of a financial year. The earning is the outcome of income statements that has a significance in determining market value (Hussainey et al., 2011). Moreover, PSAK 70 (PWC, 2016) explains that the redemption payment of the tax amnesty is recognised in the profit or loss statement, included in the calculation of the income tax and resulted on the net earnings. CSR_{it} is the Corporate Social Responsibility performance of the companies as the independent variable in this research.

3.2.2 Independent variables

CSR score is obtained based on the KLD data source. There are 7 key stakeholder attributes; they are community, corporate governance, diversity, employee relations, environment, human rights, and products. From each of the aspects, companies are identified with the strength and concern scores. If a company has any strength or concern on each category, it is scored 1. However, if they do not have any, they receive 0. The final score for CSR performance is the total strengths and weaknesses, for all the seven aspects (Sun, 2012). Following the prior studies, this work employs 5 areas of CSR issues relevant to Indonesia, including community, diversity, employee relations, environment, and products. Any activities led by the firm in correspondence to the issue areas are given score 1; in any case, 0 is given when the firm doesn't meet the criteria expressed. Next, the score of total strengths is deducted by the total concerns in order to get Net CSR, as used by former KLD indices (Lin et al., 2017; Sun, 2012). The computation of KLD scored as follows (Sun, 2012):

$$\begin{aligned} KLD = & (\text{total strength of the community} - \text{total concerns of community}) \\ & + (\text{total strength of diversity} - \text{total concern of diversity}) \\ & + (\text{total strength of employee relation} - \text{total concern for employee relation}) \quad (6) \\ & + (\text{total strength of environment} - \text{total concern of environment}) \\ & + (\text{total strength of product} - \text{total concern of product}) \end{aligned}$$

3.2.3 Control variables

The control variables are important variables that act as predictors and response variables. They are necessary because improper use of control variables may trigger false results, and it may produce effective replications (Atinc et al., 2011). This study is done by controlling some variables that might affect the dependent variables, incorporating a firm's size and leverage (Omar and Zallom, 2016; Vargas, 2016; Han et al., 2016). Size is measured using the natural logarithm of total assets. The bigger the asset implies, a higher capital invested, which is related to the share price. Asset is the source controlled by firms as the result of past events and expected to bring positive economic benefit in the future (International Accounting Standard, 2018). Therefore, asset is managed to produce maximum revenue that can satisfy shareholders. Based on the explanation, this research uses the total asset as the measurement of the firm size that is also mostly used in the previous researches (Vargas, 2016; Han et al., 2016). Additionally, leverage is obtained from the total debt scaled by the total assets. The leverage can be used as the indicator of a company's risk. The debt borrowed is functioned to finance the company's assets. High leverage shows that a company's risk is higher (Omar and Zallom, 2016).

Due to its function to assess a company's risk, leverage can be used for investors to make an evaluation of a company's risk and make an investment decision according to the risk analysis. Thus, the company's leverage is concluded to have a relation with the shareholder's investment decision that can affect the share price. In conclusion, those variables are chosen as a result of their critical impact on the share price, as evidenced by the previous researches. Table 2 presents all the variable definitions and data sources used.

Table 2 Variable definitions and data source

<i>Variable(s)</i>	<i>Definitions</i>	<i>Data Source</i>
Share Price	Price at the last day, three months or four months after the financial year	Bloomberg
Book Value of Equity	Total assets deducted by total liabilities	Annual Report and Bloomberg
Earnings	Net income of the year	Annual Report and Bloomberg
Number of Share Outstanding	Number of share outstanding three months after the financial year	Bloomberg
Net CSR	Total strengths deducted by total weaknesses of the score	Annual Report, Sustainability Report, and Reliable Sources
Firm Size	Natural logarithm of total assets	Bloomberg
Leverage	Total debt scaled by total assets	Bloomberg

3.3 Model

This research aims to show whether CSR impacts companies in a positive or negative way. Panel data analysis is an additional analysis that will also be done to examine the effect of control variables, such as firm size, leverage, and assets' age in strengthening the relationship between CSR and share price. The model is as follows:

$$SP_{i,t} = \beta_0 + \beta_1 CSR_{i,t} + \beta_2 BV_{i,t} + \beta_3 EARN_{i,t} + \beta_4 SIZE + \beta_5 LEV + \varepsilon_{i,t}$$

In order to answer the fourth hypothesis, this model is examined two times. The first one is for the years 2014–2015, which is the period before tax amnesty; while the other period is 2016–2017 which is the period of tax amnesty. The models are constructed with panel data analysis using the comparing methods of pooled OLS, fixed, and random effect (Garcia-Castro et al., 2009; Han et al., 2016). To compare CSR, share price, and the model before and after tax amnesty, the test conducted is paired sample T test.

4 Research results and analysis

4.1 Descriptive statistics

Table 3 gives the descriptive statistics of each variable, including the mean, median, standard deviation, minimum, and maximum values. It reports the values for 83 firms with 4 years' time period.

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Table 3 Descriptive statistics

<i>Variable</i>	<i>Mean</i>	<i>Median</i>	<i>S.D.</i>	<i>Min</i>	<i>Max</i>
CSR	7.05	7.00	2.64	0.00	13.00
SP	2295.00	715.00	4623.00	50.00	34100.00
BV	1600.00	660.50	3058.00	-533.3	25646.00
EARNs	136.90	31.16	372.90	-492.5	3082.00
SIZE	29.05	29.08	1.53	25.62	32.21
LEV	0.30	0.30	0.18	0.0003	0.81

From the Table 3, the average CSR score is 7. While the maximum score is 13, it represents that natural resource companies being observed have disclosed its CSR with a maximum score 13 out of 17. On the contrary, the minimum score 0 implies that there might be companies that have not sufficiently disclosed their CSR practice according to KLD, or the concerns might diminish the strengths score. The dependent variable, the share price for natural resource companies has the average 2295 throughout the four years period. It has a maximum value 34,100 and the minimum value 50.

Table 4 Collinearity and panel model tests

<i>Variables and Panel Model Tests</i>	<i>Variance Inflation Factors (VIF)</i>		
	<i>Total 4 years</i>	<i>2 Years Before Tax Amnesty</i>	<i>2 Years After Tax Amnesty</i>
CSR	1.318	1.327	1.321
BV	2.278	2.011	2.525
EARNs	2.192	1.871	2.492
LEV	1.137	1.194	1.094
SIZE	1.557	1.587	1.552
Fixed effects: Joint significance of differing group means	$F(82, 244) = 8.06925$ with p -value 1.97906e-037	$F(82, 78) = 24.1739$ with p -value 4.22777e-034	$F(81, 79) = 6.38269$ with p -value 4.98096e-015
Random effects: Breusch-Pagan test statistic	LM = 92.4349 with p -value = prob(chi-square(1) > 92.4349) = 6.95756e-022	LM = 65.342 with p -value = prob(chi-square(1) > 65.342) = 6.29647e-016	LM = 24.1996 with p -value = prob(chi-square(1) > 24.1996) = 8.68495e-007
Hausman test statistic	$H = 108.985$ with p -value = prob(chi-square(5) > 108.985) = 6.71359e-022	$H = 35.3523$ with p -value = prob(chi-square(5) > 35.3523) = 1.27966e-006	$H = 39.7253$ with p -value = prob(chi-square(4) > 39.7253) = 4.93324e-008

The tests result in Table 4 clarifies that the model has no collinearity, since the VIF value of each variable is less than 10. In addition, the panel diagnostic test should be done to identify the panel effects, whether the model has a fixed effect or random effect. Table 4 also shows the results of the panel effect test. The p -value of the fixed effect estimator implies that the model contains a fixed effect. While, the random effects estimator shows that the model also contains random effect. The Hausman test statistic decides that the strongest panel effect model is fixed effect. However, the fixed effect contain heteroscedasticity as shown in Table 5, thus the final panel model is Weighted Least

Square (WLS) panel model. The confidence intervals under WLS are always either equal or wider than under fixed effect model, in which also result into higher p-value (Pathak et al., 2019). Therefore, this model is used to test the hypothesis.

Table 5 Fixed effect model

<i>Variables and Heteroscedasticity Test</i>	<i>Total 4 years</i>	<i>2 Years Before Tax Amnesty</i>	<i>2 Years After Tax Amnesty</i>
Const	−5990.11	3840.76	666.91
CSR	25.4386	3.34167	176.254
BV	−0.607479***	−0.627267**	−0.246049
EARNs	5.34632***	5.78612***	3.92059***
LEV	2017.73	429.269	1165.42
SIZE	266.756	−55.8413	200.756
Distribution free Wald test for Heteroscedasticity:	Chi-square(83) = 1.80191e+008, with p-value = 0	Chi-square(83) = 7.41757e+032, with p-value = 0	Chi-square(83) = 1.62471e+035, with p-value = 0

Notes: * Significant at a rate 10%, ** significant at a rate 5%, ***significant at a rate 1%.

4.2 Weighted least square

Table 6 depicts the comparison among 4 years' total observation periods, 2 years before tax amnesty, and 2 years after tax amnesty. Based on the table, CSR is consistent in increasing the share price as well as the profitability (EARNs). The influence of CSR and earning towards share price are found higher in the 2 years after tax amnesty, while the book value (BV) per share has the strongest influence on share price at the period of 2 years before tax amnesty. Nevertheless, leverage, as the control variable, is the only factor that may reduce the share price. Regardless of the individual significance, the three models have a p-value lower than 5%, which indicate that the three models are adequate. From the R square, the strongest effect of independent variables in explaining the dependent variable is found in the period of 2 years after the tax amnesty, which is 83.49%. It implies that tax amnesty brings a positive impact to the application of CSR in attracting the respond of investors. Furthermore, in order to observe the significance of the differences before and after tax amnesty, paired sample T test is conducted in the next section.

4.3 The simultaneous equation

The simultaneous equation is needed to check the simultaneous effect as resulted from the endogeneity problem. The endogeneity test results imply that the models contain endogenous problem. Table 7 shows that, in total for years' period and 2 years after tax amnesty, CSR has endogeneity problem as the correlation is significant at 1% error, and the Hausman test also give significant result.

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Table 6 Weighted least square panel model

<i>Variables</i>	<i>Total 4 years</i>	<i>2 Years Before Tax Amnesty</i>	<i>2 Years After Tax Amnesty</i>
Const	−6326.67***	−4862.80***	−7516.25***
CSR	69.2577***	42.9731***	99.3944***
BV	0.349045***	0.594454***	0.350330***
EARNs	5.71494***	5.19523***	6.51848***
LEV	−1062.03***	−767.036***	−994.760***
SIZE	230.622***	178.493***	263.081***
R-squared	0.725785	0.771967	0.834995
P-value(F)	2.13E-90	1.64E-49	1.06E-60

Notes: * Significant at a rate 10%, ** significant at a rate 5%, ***significant at a rate 1%.

Table 7 Endogeneity test two-stage least squares

<i>Instrumented: CSR</i> <i>Instruments: const</i> <i>BVMARCH Earn Debt</i> <i>Size</i>	<i>Total Years</i>	<i>2 Years Before Tax Amnesty</i>	<i>2 Years After Tax Amnesty</i>
CSR	1629.87***	1.274.97	1959.45***
Hausman test – Null hypothesis: OLS estimates are consistent. Asymptotic test statistic:	Chi-square(1) = 59.169. with <i>p</i> -value = 1.44697e-014	Chi-square(1) = 21.1909. with <i>p</i> -value = 4.15738e-006	37.5809. with <i>p</i> -value = 8.77012e-010

Notes: * Significant at a rate 10%, ** significant at a rate 5%, ***significant at a rate 1%.

Furthermore, Table 8 explains the simultaneous equation between CSR as the endogenous variable and SP as the dependent variable. The results imply that CSR has influence towards SP, and vice versa, SP also may influence CSR, especially in the total 4 years' period and 2 years after the tax amnesty. However, the correlations are not significant since the Breusch-Pagan test show the insignificant chi-squares. Additionally, Table 8 also proves the robustness of CSR influence towards SP. Therefore, it can be concluded that CSR is giving a consistent positive influence towards SP. Moreover, the impact of CSR on SP even higher in the period after tax amnesty.

According to the results in Table 9 proves that there is a difference influence of CSR on share price within these two periods, the impact of CSR is stronger in the after tax amnesty period. It explains that the existence of tax amnesty brings positive effect to the response of investors towards CSR application in the companies. There is an indication that tax amnesty strengthening the correlation between CSR performance and the other independent variables, including the control variables.

Table 8 Simultaneous equation weighted least square

Simultaneous Equation	Total 4 Years		2 Years Before Tax Amnesty		2 Years After Tax Amnesty	
	CSR	SP	CSR	SP	CSR	SP
Endogenous						
Dependent Variable						
const	-569.679	-14.2537***	-14.4165***	-14.4165***	-840.446	-13.6866***
CSR	160.742***		106.639		199.813***	
SP		9.78377e-05*		7.03E-05		1.19E-04
BVMARCH	0.428514***	7.55E-05	0.677634***	0.000148967	0.256875***	2.82E-05
Earn	7.63551***	-0.00118644*	6.86320***	-0.00156132*	8.46455***	-0.000999455
Debt		0.740625		0.676856		0.859846
Size		0.719644***		0.717189***		0.707151***
R ²	0.750377	0.248174	0.744892	0.249578	0.771509	0.25455
Cross-equation VCV for residuals		-0.097		-0.114		-0.15
Breusch-Pagan test for diagonal covariance matrix: Chi-square (1)		3.10305 [0.0781]		2.17586 [0.1402]		3.73547 [0.0533]

Notes: * Significant at a rate 10%, ** significant at a rate 5%, *** significant at a rate 1%.

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Table 9 The test of difference effect of CSR on share price before and after tax amnesty

<i>Before Tax Amnesty</i>		<i>After Tax Amnesty</i>		<i>Critical Ratio</i>		<i>Standard Error of Beta Difference</i>	<i>P-Value of the difference</i>
<i>Coefficient Estimate</i>	<i>Standard Error</i>	<i>Coefficient Estimate</i>	<i>Standard Error</i>	<i>Before Tax Amnesty</i>	<i>After Tax Amnesty</i>		
42.9731	6.0864	99.3944	13.6767	7.060512	7.2674256	14.969849	0.0002

4.4 Paired sample t-test

Table 10 reports that the mean of CSR performance before and after tax amnesty increased from 6.8 to 7.31. It implies that, there is increase of CSR performance by companies after tax amnesty. Looking further at the share price, the mean before tax amnesty is 2055, while it escalates to 2535 after tax amnesty. Accordingly, tax amnesty has proven to increase a company's share price.

Table 10 Paired samples statistics

		<i>Mean</i>	<i>N</i>	<i>Std. Deviation</i>	<i>Std. Error Mean</i>
Pair 1	CSRbefore	6.80	166	2.693	.209
	CSRafter	7.31	166	2.570	.199
Pair 2	SPbefore	2055.0465	166	4302.85954	333.9667
	SPafter	2535.7472	166	4924.37645	382.2057

Table 11 Paired samples test

		<i>Mean</i>	<i>Std. Deviation</i>	<i>Std. Error Mean</i>	<i>95% Confidence Interval of the Difference</i>		<i>t</i>	<i>Df</i>	<i>Sig. (2 tailed)</i>
					<i>Lower</i>	<i>Upper</i>			
Pair 1	CSRbefore – CSRafter	-.518	1.650	.128	-.771	-.265	-4.044	165	.000
Pair 2	SPbefore – SPafter	-480.700	2643.867	205.204	-885.865	-74.534	-2.343	165	.020

Paired sample T test result as depicted on Table 10 and Table 11 show the significance of the tax amnesty period on each of the CSR and the share price variable. Looking at the significant value of CSR, it shows value 0.00, which implies that the tax amnesty period significantly brings the differences on the CSR performance with the rate 1%. As depicted on Table 11, the differences show the increasing trend of the CSR after the tax amnesty. Further on share price, the significant value 0.02 indicates that the tax amnesty also significantly affects share price with significant rate 5%, which also has escalating progression from the period before to the period after the tax amnesty. To sum up, the tax amnesty period has caused significant difference on how companies perform the CSR, the capital market valuation, as well as the reaction of investors on CSR initiatives.

4.5 Discussion and analysis

4.5.1 CSR towards share price

Based on to the regression result (WLS) on Table 6, the CSR performance has a positive significant effect on the share price. Therefore, hypotheses 1 is accepted. This result is consistent with Indonesian research (Sarumpaet et al., 2017), and another international research by Li et al. (2016). The positive significant result is consistent with the research done by Vargas (2016) and Han et al. (2016). Sarumpaet et al. (2017) also provide the similar result that the CSR is positively associated with share price for companies that are considered as good performer according to PROPER ratings. The positive significant correlation of the book value, the earnings, and the size, and the insignificant correlation of the leverage are consistent with the prior researches (Vargas, 2016; Han et al., 2016; Sarumpaet et al., 2017).

This positive significant result indicates that investors use CSR performance to assist them in assessing the value of shares. Moreover, positive relationship may result from companies' capability to build relationship with its primary stakeholders, such as customers, communities, employees, and suppliers. By establishing the good relationship with CSR, more value related to competitive advantage is created. As a result, the shareholder's wealth increased (Sarumpaet et al., 2017). Under this point of view, CSR has is in line with the stakeholder theory. Stakeholder theory states that the more important the stakeholders for the company, the more effort is required to maintain the relationship towards that particular stakeholders. In CSR and share price related topic, the main stakeholder involved are community, investors and government. Moreover, CSR is the way that can enhance the trustworthiness of investors towards the company (Agnete Alsos et al., 2011). In this research, it is proven that CSR performance in natural resource based companies matters for investor in assessing the share price. In contrast, apparently if the company fails to perform CSR sufficiently, the company's value might be deteriorated. While if it happens frequently, it is possible that company's permission to exist will be threaten under the view of legitimacy theory. Moreover, CSR is a legitimation tool to communicate that companies have met society's expectation and it can enhance financial performance (Chelli et al., 2014). Therefore, this research consistent with the legitimacy theory, that CSR can communicate the accountability and responsibility of a company towards society that can lead to the increase of the share price. In other words, CSR that demonstrates companies' compliance could be used to declare companies' legitimacy.

4.5.2 CSR performance before and after tax amnesty

According to the result of Table 11, there is a significant difference of CSR performance by the effect of tax amnesty. The average of CSR increased and implies that companies CSR performance enhance after tax amnesty. Thus, the second hypothesis is accepted. This evidence may be supported by previous studies that correlate CSR and taxation (Lanis and Richardson, 2013). In this research, the taxation aspect being observed is tax amnesty. Thus, the possible explanation is; within tax amnesty the period, companies declared the asset, and the differences of asset or liabilities are reported in additional paid up capital, while any differences occur is further charged at tax amnesty rate and included in companies' income tax. It illustrates that tax amnesty drives companies to pay higher income tax within the period and in the future since all assets have been

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declared transparently. Supported also by the fact that there is tax-deductible expense for particular CSR activities (according to revised Law No 36/2008 about Income Tax), it is possible that companies might increasing their CSR initiative as the way to mitigate the leap of tax payment from the tax amnesty.

The incremental of CSR performance actually pinpoint that tax amnesty has further increased companies' compliance beyond taxation. This is advantageous towards companies, society, as well as government. For the companies, CSR performance will enhance companies' reputation by communicating that companies have provided positive contribution towards society as the stakeholders. For the society, the increase of CSR performance by companies can improve their welfare, by the provision or more assistance on education, public infrastructure, and health volunteer programs. For the government the increase of CSR generally fulfilled government expectation. The enactment of mandatory CSR regulation in 2007 implies that Government expects companies to perform more CSR activities. The possible benefit for the government is companies assist Government's responsibility to create welfare and meeting social needs. Thus government responsibility or expenditure could be alleviated.

4.5.3 Share price before and after tax amnesty

Report from Table 11 mentioned that there is significant difference of share price before and after tax amnesty. With the increased of average share price after tax amnesty, implies that the investors value the company more after tax amnesty. In point of fact, the purpose of tax amnesty is to reduce tax avoidance by increasing taxation compliance (Investments, 2017). Accordingly, tax amnesty success contributes good signal towards investors. It provided a hint that companies' compliance apparently increase company the accountability and transparency, which increase the trustworthiness of investors and further accelerate the market value of the companies (Agustina et al., 2018). The rises of share price also could be explained by other possible rationale. First, tax amnesty encourages the companies to declare the unrevealed assets. As a consequence, the asset on the financial statement will be higher. Thus, book value as the equation of total asset less total liabilities, which has positive significant relationship in assisting investor-making decision, might also increase.

This evidence consistent with the fact that Jakarta Composite Index (JCI) increased to 5400 in 2016 and 5914 in 2017, which is the highest for the past 10 years (Investments, 2018). This indicates Indonesia economics are positively responding to tax amnesty. Further, increasing share price have implication on Indonesia macroeconomic, such as Indonesia central bank interest rate. As the JCI rose, Indonesia central bank rate decreased from 5.5% in 2016 to 4.25% in 2017. This is followed by the reduction of bank interest rate so that investor will switch their investment to other instrument such as share and real sector. Therefore, the increases of share price trigger more share investment and growth in real sector due to the lower cost of capital on bank loan that can encourage investors to invest their money and accelerate economic growth (Mahrofi, 2016). These facts give a hint from the share price perspective, that tax amnesty period encourages investment on share and real sector that will accelerate economic growth. To conclude, third hypothesis is accepted.

4.5.4 CSR performance towards share price before and after tax amnesty

Finally, Table 9 indicates that there is a significant difference on the influence of CSR performance towards share price before and after tax amnesty. Thus, fourth hypothesis is accepted. From the model, it provides evidence that the correlation of CSR to share price become stronger after tax amnesty. The correlation implies that investor more reactive on companies' financial performance and CSR performance to assess share price. This fact may cause by the following situation; Companies' compliance on taxation by the effect of tax amnesty might indicate that company has greater accountability and transparency towards on stakeholder perspective in terms of financial and non-financial issues. Thus, it creates a good signal for investors to have confidence in trusting companies' disclosures, including financial and non-financial information. From this solid correlation, management could capture the advantage by improving their CSR activities, as well as maintaining the financial performance.

5 Conclusion, limitation and research contribution

5.1 Conclusion

The research object in this research is natural resource companies that are listed in Indonesia Stock Exchange within 2014–2017. Based on Indonesia's government regulation (PP 47/2012), the companies that are classified as natural resource based are those companies, which are included in agriculture, mining, basic & chemicals sectors. The regression result shows that the book value and earnings, which are parts of profitability, are highly significant on share price. Therefore, it implies that they have a direct impact on assisting investors in making a decision. As a result, management should pay attention to managing the profitability and set management strategies that could enhance the financial performance to accelerate the share price. For the control variables, the positive significant result owned by the firm size, since this research finds that company's leverage may reduce the share price. This condition implies that investors tend to have a glance on the companies' size before making investment decision because company size indicates the volatility or risk of the companies.

Looking at the CSR performance variable, it has a significant result, which implies that generally CSR has an influence on share price, and the correlation is higher after the tax amnesty. While the tax amnesty delivers a good signalling effect to investors, shown by the increase of share price and the significance CSR on the share price after the tax amnesty. This indicates that the tax compliance which is caused by the tax amnesty enhances the trustworthiness of investors that they are willing to value the market more as compared to the period before the tax amnesty. The increases of the CSR performance and the share price are actually beneficial for many parties as explained earlier. The incremental of CSR performance is advantageous and seen clearly in smaller perspective, such as the improved society welfare, the escalation of company's reputation, as well as assisting government in creating welfare that further alleviates the government's obligation and spending. While the favourable result from the increase of share price could be seen in wider perspective, which is the Indonesia's economics, because it escalates Jakarta Composite Index (JCI), that attracted investors to invest in share. Moreover, incremental share price also reduces BI rate, which indicates lower cost of

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capital for investors to invest the money in real sector that will upsurge economic growth. Therefore, due to the great impact of the tax amnesty, it is suggested also for the government to be careful in launching new programs and regulations, since it can impact on many areas beyond the main purpose of the taxation compliance.

5.2 Limitation

This research covers only a limited time period. Since it was conducted in 2018, it was only capable to cover the 2 years after the tax amnesty that was implemented in 2016. Thus, it is suggested that the future research might be done in longer time span, so that it can capture the more long-term effect of the tax amnesty. Moreover, this study only observes natural resource based companies that enforced more by Indonesia government to perform more in CSR. Additionally, it is suspected that this industry' risk is getting higher when the companies ignoring the society. Therefore, it could not generalise whether CSR performance for all sectors companies in Indonesia have significant impact on share price. Accordingly, further research may attempt to observe the impact of CSR performance on share price in different industries to contribute a more comprehensive evidence for the readers. Lastly, the measurement of CSR performance is in this research is the total scores of CSR performance by KLD. As a consequence, it could not specify in detail which areas of the CSR actually have a significant correlation towards share price, and which are not. Thus, it can be an insight for the future research to breakdown the CSR measurement into its categories and analyse the impact separately on the towards share price to provide more specific result that might be more insightful for the readers and useful for the management in analysing which areas of CSR are actually expected by the stakeholders.

5.3 Research contribution

Our contribution in this research has been to provide an evidence that higher CSR performance is associated with share price in H1. It implies that the CSR performance has a significant impact on share price. In other words, investors slightly consider companies CSR performance in assisting them in decision making. Moreover, this research contributes an additional evidence that there are significant differences in CSR performance and share price by the effect of the tax amnesty as proposed in H2 and H3, respectively. The reaction of how investors use CSR information to assist them in terms of share decision is also different, with an increasing trend from the period before and after the tax amnesty as depicted on H4. Therefore, this study contributes to the literature by being the first to examine the issue of CSR performance and share price in developing countries, especially Indonesia. Furthermore, the paper provides an empirical evidence in support of legitimacy theory as an explanation for how CSR performance influences share price in the context of the tax amnesty in 2016. The authors use the tax amnesty time frame where there is increased legislation and corporate awareness of CSR practice. As tax amnesty has a broad influence, the regulators need to be aware of the wide effects before enacting a program or regulation.

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