

## **INFLUENCE OF FAMILY OWNERSHIP, BOARD AND TOP MANAGEMENT CHARACTERISTICS ON THE QUALITY OF WEBSITE CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE IN INDONESIA**

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### **ABSTRACT**

**Background and Purpose:** This study aims to investigate the effect of family ownership, board characteristics (board foreign experience and board accounting expertise), and top management characteristics (management education level) on the quality of website Corporate Social Responsibility (CSR) disclosure via corporate website among the top companies listed in the Indonesia Stock Exchange (IDX). This study adds to the body of literature by examining the moderating effect of family ownership towards the relationship between board characteristics and website CSR disclosure, which is useful for investors who might have concerns about the level of CSR disclosure as a gauge of firm ethics, particularly in respect to family-owned firms.

**Methodology:** The sample of this study consisted of 100 non-financial companies listed in the Indonesia Stock Exchange (IDX) for the year 2019. Multiple linear regression analysis was applied to test the study's hypothesis.

**Findings:** Empirical results from this study have shown that family ownership is negatively related to the quality of website CSR disclosure. Board foreign experience has a positive effect on CSR disclosure practices on their respective corporate websites. Meanwhile, top management education level was found to have a negative and statistically significant relationship with the quality of voluntary website CSR disclosure. Lastly, this study demonstrated that family ownership moderates the relationship between board accounting expertise and the quality of CSR disclosure on corporate websites.

**Contributions:** This study contributes to the literature on CSR disclosure by introducing a set of indexes measuring the quality of voluntary website CSR disclosure, which captures not only the variety but also the richness of CSR information. The moderating role of family ownership in such relationships, which is rarely investigated in the context of developing countries, was also explored by this study.

**Keywords:** CSR disclosure, voluntary disclosure, family ownership, board characteristics, top management.

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## 1.0 INTRODUCTION

This study focuses on voluntary Corporate Social Responsibility (CSR) disclosure practices on corporate websites. Using corporate websites as a website disclosure channel for companies may effectively help companies show their commitment to CSR, enhancing company identity and reputation. Website CSR disclosure offers some advantages, such as improving the limitation of annual and sustainability reports in disclosing CSR activities. These advantages include more timely information (Ahmed et al., 2018); enhancing global accessibility (Ahmed et al., 2018; Kiliç, 2016), as well as promoting greater understandability of information (Abdi et al., 2018; Sandhu & Singh, 2019). Using corporate websites as a medium of communication for public disclosure would potentially contribute to good governance, specifically transparency (Nel & Baard, 2019). A company's inclination towards website CSR disclosures may increase from year to year as they try to keep up with current market trends (Chong et al., 2016), however considerable variations in disclosure on their corporate websites can still be found across different companies (Abdelsalam & Street, 2007; Sandhu & Singh, 2019).

Website disclosure studies were still dominated by financial information, while there is a lack of studies focusing specifically on website CSR disclosure. Website CSR disclosure studies are mostly done within the context of developed countries (Chong & Rahman, 2020; Everaert et al., 2019; Matuszak & Róžańska, 2019), whereas the number of website CSR disclosure studies which come from the perspective of an emerging market were still limited (Abdi et al., 2018; Djajadikerta & Trireksani, 2012).

Indonesia was chosen as the focal point of this study because this country offers an interesting insight into comprehending the practices of website CSR disclosure from the perspective of emerging markets in Asia. As the biggest country in the South East Asia region, Indonesia faces many issues related to social and environmental aspects, such as poverty alleviation, health and safety of the environment, pollution, natural disaster, social and political insecurity, as well as deforestation (Djajadikerta & Trireksani, 2012). Secondly, Indonesia's current government already has an agenda to improve the country's investment climate and strengthen economic growth, aimed at attracting domestic and foreign investments. Yu and Zheng (2020) suggested that CSR reporting is an effective strategy to minimize information asymmetry, which can help companies improve their environmental and social information, subsequently attracting foreign and local institutional shareholders. Thirdly, multiple Indonesian regulatory bodies have stressed the importance of CSR disclosure for the public. In 2017, the Indonesian financial service authority or Otoritas Jasa Keuangan (OJK) issued a regulation, i.e. OJK regulation No.51/POJK.03/2017, which requires all listed companies to provide sustainability reports which can either be separated from the annual report or become part of the annual report. OJK had also required these listed companies to provide CSR information via their corporate website through OJK regulation No.8/POJK.04/2015. Looking at both regulations from OJK, it can be seen that although they have both been issued as a requirement, the implementation and enforcement of these regulations were still low (Adityawarman & Khudri, 2018). Chowdhury et al. (2021) suggested that, unlike developed countries whose society has been conscious enough with the importance of being aware of CSR information provided by companies, companies in developing countries face relatively less pressure from stakeholders when it comes to CSR disclosure. Prior studies suggested that practices of CSR disclosure, even as they are being presented in annual reports, are still low in Indonesia (Hermawan & Gunardi, 2019; Ramadhini et al., 2020; Wuryan Andayani, 2018).

This study hence focuses on the role of family ownership, board characteristics (board foreign experience & board accounting expertise), as well as top management characteristics (management education level) on the quality of voluntary website CSR disclosure among large

non-financial companies listed in the Indonesia Stock Exchange (IDX). At the moment, website CSR disclosure is voluntary. Hence, disclosure quality is mostly influenced by the controlling shareholders and board's values, preferences, and motives (Alshirah et al., 2020; Basuony et al., 2018). In this case, the family, as controlling shareholders, the board, and the top management, enjoy full discretion in deciding the extent to which CSR information should be disclosed. The family has more extensive access to information, which might discourage CSR disclosure to the public. On the other hand, effective board characteristics (board foreign experience & board accounting expertise) may support transparency. As such, an investigation on the effect of family ownership and effective board characteristics towards the quality of website CSR disclosure may help to understand the motives and variation of quality within website CSR disclosure among companies in Indonesia.

This paper contributes to CSR disclosure literature by going further than prior studies. First, this study examines voluntary website CSR disclosure by developing and using an enhanced disclosure index which captures the variety (quantitative aspect) and richness (qualitative aspect) of data through textual analysis of substantive words of CSR information on corporate websites. Second, this study provides new empirical evidence in different institutional contexts, such as emerging markets. Studies in developed countries dominated most extant literature regarding CSR disclosure. In this regard, emerging markets are different from developed markets in many aspects. For example, when discussing governance mechanisms and ownership structure, the determinants of voluntary disclosures for developing and emerging markets might differ (Elgammal et al., 2018). Consequently, the effect of family ownership and board characteristics on the quality of voluntary CSR disclosure on corporate websites may provide different results in emerging markets.

Furthermore, this study goes further from prior studies by examining the role of family ownership as a moderating variable that may affect the relationship between board characteristics and voluntary CSR disclosure on corporate websites. Indonesian firms are highly concentrated and dominated by families (Claessens et al., 2000; Kumala & Siregar, 2020). When a family becomes a majority shareholder in a company, the family would have a right to elect and appoint board members, empowering and influencing them in making decisions for the company. In this regard, family ownership may affect the board of directors' effectiveness in disclosing more CSR information on their corporate website.

## **2.0 LITERATURE REVIEW**

Agency theory is an underlying theory chosen for this study, which can explain the relationship between family ownership and CSR disclosure (Kumala & Siregar, 2020; Martínez-Ferrero et al., 2018). In developing countries like Indonesia, family firms are less likely to disclose voluntarily to the public (Akhtaruddin et al., 2009; Ali et al., 2007). Some prior studies explained that, as controlling shareholders, families are incentivised to take resources out of companies, which may make them less transparent to the public (Akhtaruddin et al., 2009). A few other studies have also highlighted the substitutive relationship between the presence of family owners and public disclosure (Sandhu & Singh, 2019). When a family has substantial ownership, the family tends to monitor management and have more active involvement in the company's management. Consequently, family ownership would lower information asymmetry between shareholders and management, as the demand for information from non-family shareholders to monitor management tends to be low (Al-Akra & Hutchinson, 2013).

Resource dependence theory (RDT) explains certain characteristics of effective boards that would improve the quality of voluntary website CSR disclosure). According to Bolourian et al. (2021), although agency theory is often applied to explain the role of board attributes, which focuses more on the monitoring aspect, this theory is not able to sufficiently explain why and/or how social aims should be considered in corporate strategic goals through effective boards. RDT suggests that specific attributes of the board of directors may effectively help companies to align their strategies with the expectations of their society or stakeholders to reduce uncertainty and secure legitimacy (Al-Mamun & Seamer, 2020; Hillman et al., 2009; Pfeffer & Salancik, 1978). Talented boards are considered to have the ability and capacity to see opportunities, generate critical resources, and manage complexity related to strategy formulation to facilitate companies in acquiring external resources, which are critical for their success (Chen et al., 2013). This study focuses on the role of competency owned by board members, namely board foreign experience and board accounting expertise, in enhancing the quality of voluntary CSR disclosure on corporate websites.

## **3.0 HYPOTHESES DEVELOPMENT**

### **3.1 Family Ownership**

In the context of CSR disclosure, controlling families are viewed as a self-interested and parochial party. Therefore, they would likely be unwilling to protect, develop and invest in their communities and economies (Morck & Yeung, 2004). Kim et al. (2017) suggested that controlling families tend to be less responsive to stakeholder requests, hence reducing the need

for the company to have CSR reporting. As controlling shareholders, family owners have wide access to various information about the company that can be acquired privately. With such access, they have disincentives to disclose extensive CSR to the public (Chen et al., 2008; Hajawiyah et al., 2019). Adding to this, a lack of effective regulation, weak corporate governance, and subsequent legitimacy in developing markets have led family firms to have little motivation to act in a socially acceptable manner. Instead, these family firms keep their financial resources from CSR activities (Biswas et al., 2019).

Empirically, the relationship between family ownership and CSR engagement has been found to have mixed results. Rudyanto and Siregar (2018) found no differences in the quality of sustainability reports between family-owned and non-family-owned companies in Indonesia. The argument used by Rudyanto and Siregar (2018) was that controlling families may have moral responsibility awareness. However, the shareholders would still be disinterested in engaging deeper in matters relating to sustainability. Meanwhile, El Ghouli et al. (2016) and Biswas et al. (2019) showed that the quality of CSR disclosure by non-family companies has been consistently higher than that of family firms. El Ghouli et al. (2016) added that Asian countries have weak institutions, leading to severe agency problems in family-affiliated companies. Hence, family-affiliated companies in Asian countries exhibit lower CSR engagement than their counterparts from developed countries. Based on these arguments, this study develops its first hypothesis as follows:

H1. Family ownership is negatively related to the quality of voluntary website CSR disclosure

### **3.2 Board Foreign Experience**

The presence of board members with foreign experience is a valuable source for companies to enhance their CSR activities. These companies need to get past the lack of norms, weak legal systems, weak corporate governance systems and lack of experience in developing CSR practices for emerging markets (Garanina & Aray, 2021). Board members with foreign experience are viewed to have better exposure to CSR practices through their experiences of working or studying abroad, especially in developed countries such as European countries, the United Kingdom and the United States, which implements strict CSR practices and disclosures (Huafang & Jianguo, 2007; Lau et al., 2016). Knowledge, networks and connections derived from foreign experience may help companies to become more socially responsible and fasten the adoption of new environmental innovation, leading towards better quality of disclosure to

the public when it comes to CSR activities (Garanina & Aray, 2021; Lau et al., 2016). Based on these explanations, this study proposes that the presence of directors with foreign experience on the board (BOC) is likely to assist firms in extending their practices of website corporate disclosure. This study hypothesizes that:

H2: The level of foreign board experience owned by board members is positively related to the quality of voluntary website CSR disclosure.

### **3.3 Board Accounting Expertise**

Expertise in accounting or finance areas is considered a competency which would help companies not only to resist rationalizing misreports but also to shift the board towards focusing more on the companies' long-term strategies. These strategies include economic, social and environmental issues (Sun & Rakhman, 2013). Guo et al. (2021), who examined the role of the accounting expertise of the Chief Finance Officer (CFO) on CSR disclosure, suggested that companies should take serious action on sustainability activities. This included disclosure as an important strategy to minimize risks, enhance brands, attract the best talent, and drive top-line growth. Guo et al. (2021) added that accounting expertise is important for CFOs to manage, measure, and report sustainability information as expected by shareholders and other stakeholders. Instead of examining accounting expertise in the top management, this study focuses more on the role of accounting expertise on BOC within its corporate website disclosure. The presence of accounting expertise in BOC may improve the capability of BOC to monitor and advise companies to be involved more actively in CSR activities and disclose more CSR issues in the future. Based on these arguments, this study develops its third hypothesis as follows:

H3. The presence of accounting expertise on board is positively related to the quality of voluntary website CSR disclosure.

### **3.4 Management Education Level**

Concerning CSR, management with well-educated members are more likely to undertake and provide CSR disclosures on the website. Liu et al. (2018) suggested that higher-educated management tends to have greater adaptation and care about food safety, environmental protection, and other social problems. Further, educational level is viewed as a means of determining individuals' moral and ethical approach. As such, well-educated top management

tends to be better aware of the importance and significance of disclosing social and environmental activities (Malik et al., 2020). Highly educated top management tends to be receptive and responsive to new things, such as website CSR disclosure, as long as it becomes a crucial part of the strategy in modern corporations (Li et al., 2019). Their critical thinking skills and knowledge of ethical standards may lead them towards promoting higher levels of CSR disclosure to their lower-educated counterparts. Therefore, regarding the role of management education, this study hypothesizes as follows:

H4. The level of education obtained by members of top management is positively related to the quality of voluntary website CSR disclosure.

### **3.5 Moderating Role of Family Ownership on the Relationship between Board Characteristics and the Quality of Voluntary CSR Disclosure on Corporate Websites**

The prevalence of family control is likely to moderate the monitoring effectiveness of corporate boards (Alshirah et al., 2020; Bansal et al., 2018; Jaggi et al., 2009). Domination and control owned by controlling families would likely restrict the effectiveness of the board of directors, which would then influence the board's decision (Alshirah et al., 2020). The professionalism and effectiveness of board members are likely to be compromised in a situation where controlling families have the power to appoint and discharge board members.

The lack of interest in CSR practices and disclosure may likely lead controlling families to influence business decisions by reducing the board's capabilities and resources to enhance CSR performance and disclosures (Cuadrado-Ballesteros et al., 2015). Foreign board experience and accounting expertise may enhance board capabilities and effectiveness in monitoring management, including enhancing CSR disclosure. However, the board's effectiveness could be strongly influenced by the desires and interests of family members who are likely to reduce CSR disclosures instead of considering other stakeholders' interests (Chen & Jaggi, 2000).

A few prior studies have examined the moderating effect of family ownership on the relationship between BOC and corporate disclosure. Using the RDT point of view, Bansal et al. (2018) showed that the presence of family ownership reduced the positive effect of independent directors on increasing CSR disclosure. Family ownership would likely reduce independent directors' concern towards reputation risks, which are related to misleading and low information disclosure by the management (Bansal et al., 2018). Alshirah et al. (2020) also demonstrated that the relationship between the board of directors and corporate risk disclosure



is moderated by family ownership. Family ownership would likely influence the advisory role of the board of directors over disclosure decisions (Alshirah et al., 2020). Based on these arguments, this study hypothesizes that:

H5a. Family ownership weakens the positive relationship between board foreign experience and the quality of voluntary website CSR disclosure.

H5b. Family ownership weakens the positive relationship between board accounting expertise and the quality of voluntary website CSR disclosure.

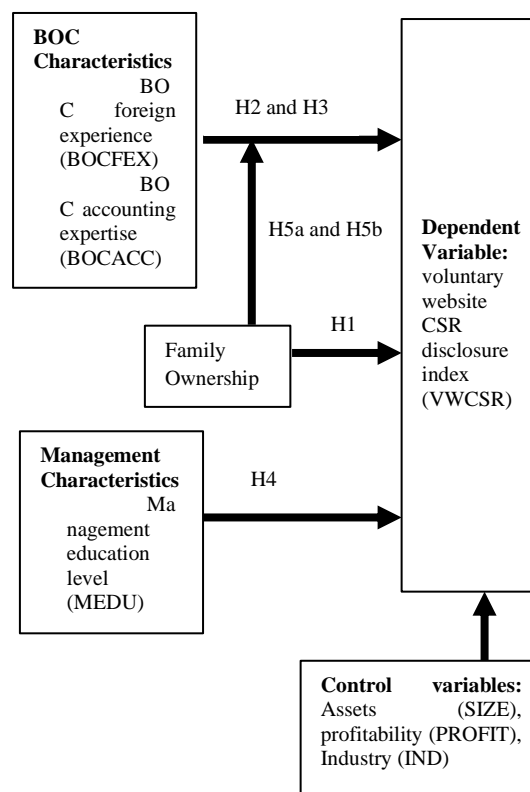


Figure 1: Research Framework

## 4.0 METHODOLOGY

### 4.1 Sample

The sample comprises the top 30 per cent of companies listed in the Indonesia Stock Exchange (IDX). The reason for choosing these top companies is that voluntary web-based CSR disclosure is still a new phenomenon in Indonesia. Hence, it is only being picked up by major players in the industry. This study excludes finance and banking companies from its sample because the industry has different regulatory requirements from those listed in IDX. Further, this study focuses on top companies listed in IDX for over five years. Hence, companies listed

for less than five years are dropped from being selected as a sample. The reason is that in measuring the quality of website disclosure, this study considers historical data that were saved on the company website for more than five years. In addition, several companies were dropped from the sample due to missing data related to the variables of interest in this study.

A summary of the sample selection process is shown in Table 1, leaving a total observation of 100 firm-years. The number of observations is considered to be sufficient and appropriate because the sample size is larger than 30 and less than 500 (Sekaran & Bougie, 2016). Further, some empirical studies that used secondary data were found to have a sample size of around 100 observations, for example, Rudyanto and Siregar (2018) and Kumala and Siregar (2020).

Table 1: Sample selection of procedure

Summary of Sample Selection	
Top 30% companies in the IDX which composes 93.5% of total market capitalization	175
Subtract	
Financial and banking companies	35
New companies (listed in the IDX less than 5 years)	28
Companies with missing data (financial, board profile, website)	12
Final Samples	100

The sample used in this study is cross-sectional, with the unit of analysis being the company's website level. Data for financial information, board profiles, ownership, and market data were collected from the companies' annual reports for 2019. Meanwhile, data for voluntary CSR disclosure on company websites was collected for 2 months from November 2020 until December 2020.

Table 2 exhibits the frequencies and percentages for sample distribution by eight Industries (excluding finance) based on the Jakarta Stock Industrial Classification (JASICA), which IDX has used since 1996.

Table 2: Sample distribution by industry type

Industry	Number of companies	%
Industry1: Agriculture	8	8
Industry 2: Mining	13	13
Industry3: Basic industry and chemicals	9	9
Industry4: Miscellaneous industry	5	5
Industry 5: Consumers good industry	16	16
Industry 6: Property, real estate and building construction	16	16
Industry 7: Infrastructure, utilities and transportation	12	12
Industry 8: Trade, service and. investments	21	21
Total	100	100

#### 4.2 Model Estimation

In testing the hypotheses, this study conducts hierarchical regression analysis, which enters independent variables in the regression model sequentially. The hierarchical regression model starts from variables of family ownership (FAM), followed by variables of BOC characteristics (BOCFEX) and then variables of management education (MEDU). Specifically, to test H1, this study uses Equation 1 as below:

$$VWCSR = \beta_0 + \beta_1FAM + \beta_2SIZE + \beta_3PROFIT + \beta_4IND + e$$

Expectation H1:  $\beta_1 < 0$

For testing H2 and H3, Equation 2 is used:

$$VWCSR = \beta_0 + \beta_1FAM + \beta_2BOCFEX + \beta_3BOCACC + \beta_4SIZE + \beta_5PROFIT + \beta_6IND + e$$

Expectation H2 and H3:  $\beta_2 > 0, \beta_3 > 0$

Next is Equation 3 to test H4 of this study:

$$VWCSR = \beta_0 + \beta_1FAM + \beta_2BOCFEX + \beta_3BOCACC + \beta_4MEDU + \beta_5SIZE + \beta_6PROFIT + \beta_7IND + e$$

Expectation H4:  $\beta_4 > 0$

Finally, moderating effect of family ownership in the relationship between BOC characteristics and VWCSR (H5) is tested using Equation 4:

$$VWCSR = \beta_0 + \beta_1 FAM + \beta_2 BOCFEX + \beta_3 BOCACC + \beta_4 BOCFEX * FAM + \beta_5 BOCACC * FAM + \beta_6 SIZE + \beta_7 PROFIT + \beta_8 IND + e$$

Expectation H5:  $\beta_4 < 0$ ,  $\beta_5 < 0$

where:

VWCSR	= total score of voluntary website CSR disclosure index
FAM	= family ownership
BOCFEX	= board foreign experience
BOCACC	= board accounting experts
MEDU	= management education level
SIZE	= firm size
PROFIT	= profitability
IND	= industry type (extractive industry versus non-extractive industry)

### **4.3 Dependent Variable - Website Corporate Social Responsibility Disclosure Index**

#### **4.3.1 Construction of the voluntary website CSR (VWCSR) disclosure index**

VWCSR disclosure index was developed by focusing on two dimensions: the dimension of content information and the dimension of presentation format features. This index was compiled based on existing literature by Boubaker et al. (2011), Bouten et al. (2011), Everaert et al. (2019), and Michelon et al. (2015). It was also developed based on the widely acknowledged standardization of the Global Reporting Initiative (GRI) reporting framework. Items developed in this disclosure index were then cross-checked with OJK regulation No.8/POJK.04/2015 to ensure that the items were voluntary disclosures not listed in the OJK regulation. Next, some items found irrelevant and unsuitable in the Indonesian context were excluded from the index.

The content information of the VWCSR disclosure index is composed of a comprehensive list containing nine items. The items listed in the disclosure index include the presence of sustainability reporting on companies' websites and various specific CSR information, such as economic performance, fair business practices, energy and water in the

production process, emissions and waste, labour practice, human rights, support for community programs, as well as product responsibility.

To assess the level of comprehensive CSR disclosure on the corporate website, content items which have been developed are scored using the VWCSR disclosure index. This study applies two types of scores, namely binary score and ordinal score. A binary score is used to check the presence of respective items, while an ordinal score is applied to capture the comprehensiveness of CSR disclosures. The scoring method for ordinal scores follows the coding structure developed by Bouten et al. (2011) and Michelon et al. (2015). The coding structure for specific CSR information is based on the presence of vision and goals (VG), management approach (MA) and performance indicators (PI) in content items. Vision and goals (VG) cover companies' stated aims, commitments or values to engage in CSR activities. Management approach (MA) focuses on the information about CSR activities adopted by companies as a manifestation of CSR vision and goals. Performance indicators reflect actual CSR achievement and are presented with qualitative and quantitative measures of CSR performance. The scoring system is presented in Table 3. The maximum score for each content item is 4, which indicates that a content item is disclosed with complete information covering information about VG, MP, qualitative PI and quantitative PI.

The total score for the content information dimension is counted by summing the scores for all nine items. Referring to Table 3, one item has a maximum score of 1, while the maximum score for the rest of the eight items is 4. Therefore, the full score for the content dimension of the VWCSR disclosure index is 33 ( $1 \times 1 + 8 \times 4 = 33$ ). The minimum score for the content dimension of the VWCSR disclosure index is 0 ( $1 \times 0 + 8 \times 0 = 0$ ).

Table 3: Scoring Systems of Content

Semantic Properties	Sub-group of semantic properties	Coding System	Max. Score
CSR specific information (“vision and goals/VG”; “management approach/MP”; “performance indicators/PI”)	1 of 4 information (VG, MP, qualitative PI and quantitative PI) is disclosed	1	4
	2 of 4 information (VG, MP, qualitative PI and quantitative PI) is disclosed	2	
	3 of 4 information (VG, MP, qualitative PI and quantitative PI) are disclosed	3	
	4 of 4 information (VG, MP, qualitative PI and quantitative PI) are disclosed	4	

Another dimension of VWCSR disclosure index is the dimension of presentation format features, which are specific advantages that are offered merely by the corporate website and add more value to the disclosed information (Boubaker et al., 2011). The presentation format feature has six content items, which are based on three categories, namely convenience/user friendly (3 items), technology (1 item) and timeliness (2 items). Each dimension item for presentation format features is computed using a binary score. Each item takes a value of 1 if available on the corporate website and 0 if found otherwise. The full score for the dimension of presentation format features is calculated by summing all scores of each item with a maximum value of 6 (1x6=6).

#### **4.3.2 Reliability and validity of VWCSR disclosure index**

Reliability and validity of the measurement for this disclosure index are important aspects in the coding procedure to conclude valid outcomes and minimize subjective issues (Abdi et al., 2018). Marston and Shrives (1991) suggested that the disclosure index is valid if it measures what this study intended. Hail (2002) added that the validity of index measurement can be assessed by testing the significance of the correlation between the disclosure index and its components. Test results of Pearson correlation are presented in Table 4, demonstrating that the correlations between the VWCSR disclosure index and its components are statistically significant.

Table 4: Correlation between the VWCSR disclosure index and its items

Variables	Correlation
VWCSR	1.000
Sustainability Report	0.299***
Economic Performance	0.654***
Fair Business Practices	0.485***
Energy and water in production process	0.711***
Emission and waste	0.762***
Labor practices	0.769***
Human rights	0.585***
Support for community programs	0.602***
Product responsibility	0.632***

Notes: \*, \*\* and \*\*\* indicate significance at 10, 5, and 1% levels.

#### 4.4 Independent Variables

Table 5 presents the definition for all variables used in this study. Adapting the study of Rudyanto and Siregar (2018), this study measures a proxy of family ownership (FAM) using a dummy variable valued at 1 if a company is owned by an individual or a company whose ownership is more than 50 per cent, and is not a public company, a financial institution, or owned by the government. This dummy variable is valued at 0 if the company is found otherwise. The variable of board foreign experience (BOCFEX) is measured by an average total score of foreign experience acquired by each member of the top management. A score of foreign experience has a value in the range of 0 to 2. The value 0 indicates that a member of top management has no experience in the study or working abroad. Meanwhile, the value of 1 refers to the foreign experience owned by a top management member as either studying abroad or working abroad. If the member has foreign experience in both study and working experience, then the score accumulated for this particular member will be 2.

The variable of board accounting expertise (BOCACC) refers to a dummy variable with the value of 1 if there is at least one member of BOC who has expertise in accounting (either from an education background, professional certificate or working experience), and the value of 0 is placed if it is found to be otherwise. Next, the management education level (MEDU) variable is counted based on the natural logarithm of the ratio of the total score of education level/ degree of all members at the top management to the number of top management members. A score of 1 is given if the highest education level is secondary school, 2 if the

highest education level is college, 3 if the member has an undergraduate degree, 4 if the member has a master, and 5 if the highest education level is doctorate studies.

Table 5: Variable measurement

Abbreviated name	Full name	Measurement	Predicted sign	Data Source
<i>DEPENDENT VARIABLES</i>				
VWCSR	voluntary website CSR disclosure index	total score for all items of VWCSR		Company's official website
<i>INDEPENDENT VARIABLES</i>				
FAM	Family ownership	A dummy variable	-	Annual report and website
BOCFEX	Board foreign experience	Average of total score of foreign experience board	+	Annual report and website
BOCACC	Board accounting expertise	a dummy variable	+	Annual report and website
MEDU	Management education level	natural logarithm of total score of education level	+	Annual report and website
<i>CONTROL VARIABLES</i>				
SIZE	Firm size	Natural logarithm of total assets	+	Thomson reuters
PROFIT	Profitability	Return of assets	+	Thomson reuters
IND	Extractive industries	A dummy variable	+	IDX Book 2019

#### 4.5 Control Variables

Consistent with previous studies of Samaha et al. (2012), Basuony et al. (2018), as well as Sandhu and Singh (2019), this study uses control variables of firm size, profitability and industry type in the research model.

## 5.0 ANALYSIS AND DISCUSSION

### 5.1 Descriptive Statistics

Table 6 shows the descriptive statistics for the VWCSR disclosure index on the sample companies' websites in 2020. VWCSR disclosure index has two dimensions: content information and presentation format features. The content information dimension consists of nine items computed as shown in Table 6. It can be seen that the VWCSR disclosure index has a maximum score of 33.00, which is below the full score of 39. This indicates that none of the



companies in the sample have a full score on the VWCSR disclosure index. Content items have a full score of 33, while the full score for presentation format feature items is 6. Further, the score for content items and presentation format vary among companies analyzed in the study. On average, content items in the sample have a mean value of 10.44, with a maximum score of 30.00 and a minimum score of 0.00. Similar patterns which vary among companies are also shown by presentation format feature items, with a mean score of 2.90, maximum score of 6.00 and minimum score of 0.00.

In further detail, the highest score for content items was found on support for community programs (mean of 2.54), followed by disclosure on emission and waste (mean of 1.99) and labor practices (mean of 1.67). On the other hand, it was noticeable that very few companies in the sample provided information on fair business practice (mean of 0.33) and human rights (mean of 0.48). A potential explanation for this low disclosure may be explored around an assumption that stakeholders in Indonesia have low attention and demand for information on fair business practices and human rights. These results are consistent with those of Djajadikerta and Trireksani (2012), as well as Prabowo et al. (2017), who conducted studies of CSR disclosure practices in Indonesia. Djajadikerta and Trireksani (2012) showed that the most recurring CSR theme disclosed by Indonesian companies is the community, followed by labour practices and the environment. Showing slightly different findings, Prabowo et al. (2017) found that the most recurring themes of CSR disclosure made by banking companies are community and environment.

Regarding the dimension of presentation format features, it was discovered that companies in the sample of this study tend to focus on the convenience of their corporate websites, while technology and timeliness are relatively less provided in the corporate website. This result was consistent with Sandhu and Singh (2019), who found that the websites of Indian companies lag far behind in the timeliness dimension. Minimum exposure to the timeliness dimension in website presentation and format of French companies was also found by Boubaker et al. (2011). The authors suggested that although the internet offers the advantage of updating information without delay, few French companies were willing to take advantage.

Table 6: Descriptive Statistics of the VWCSR disclosure Index

VWCSR Disclosure	n	Full score	Mean	Min	Max	S.D.
Content Information Dimension						
Sustainability Report	100	1	0.44	0.00	1.00	0.50
Economic Performance	100	4	0.98	0.00	4.00	1.44
Fair Business Practices	100	4	0.33	0.00	4.00	0.82
Energy and water in production process	100	4	1.04	0.00	4.00	1.54
Emission and waste	100	4	1.99	0.00	4.00	1.68
Labor practices	100	4	1.67	0.00	4.00	1.53
Human rights	100	4	0.48	0.00	4.00	1.07
Support for community programs	100	4	2.54	0.00	4.00	1.29
Product responsibility	100	4	0.97	0.00	4.00	1.37
Total score for Content Items	100	33	10.44	0.00	30.00	7.30
Convenience/ User-friendly	100	3	1.63	0.00	3.00	0.96
Technology	100	1	0.38	0.00	1.00	0.49
Timeliness	100	2	0.89	0.00	2.00	0.67
Presentation Format feature items	100	6	2.90	0.00	6.00	1.45
VWCSR	100	39	13.34	0.00	33.00	7.76

Table 7 provides descriptive statistics for independent variables and control variables. Panel A presents descriptive statistics of continuous variables, including board foreign experience, management education level, firm size, and profitability. Meanwhile, panel B demonstrates the frequency of dichotomous variables, such as family ownership, board accounting expertise and industry type. Board foreign experience (BOCFEX) ranges from 0.00 to 1.67, with an average of 0.69. These results indicated that, on average, there are more than half of BOC members have experience studying or working abroad. This is consistent with Oxelheim et al. (2013) and Wen et al. (2020), who found that board foreign experience is a board attribute which characterizes most Nordic and Chinese companies. The average level of education owned by top management (MEDU) is 3.387 (exponential of 1.22), with a minimum of 1.99 (exponential of 0.69) and a maximum of 4.85 (exponential of 1.58). These results implied that the top management members of Indonesian companies have a level of education between undergraduate and master's levels. This is similar to the findings of Li et al. (2016) and Liu et al. (2018) for Chinese and Taiwan companies, respectively.

Panel B in Table 7 shows that 58 per cent of companies in the sample study are family firms, while the rest are non-family companies. This result is consistent with Kumala and

Siregar (2020), who showed that 51.47 per cent of companies in their study sample are family-owned. This indicated that family-owned companies are dominant among listed companies in Indonesia. Further, it was found that 45 per cent of companies in the sample of this study appointed accounting experts as BOC members, while the other companies have no accounting experts sitting as members in BOC. This result is consistent with Huang et al. (2016), who found that nearly 50 per cent of the study samples in Chinese listed firms have accounting expertise as board members.

Table 7: Descriptive statistics for all variables

Variable Name	n	Mean	S.D.	Min	Max
Panel A					
BOCFEX	100	0.69	0.41	0.00	1.67
MEDU	100	1.22	0.12	0.69	1.58
SIZE	100	30.52	1.14	25.97	33.46
PROFIT	100	0.1	0.13	-0.27	0.60
Panel B	n	Frequency		Percentage	
		1	0	1	0
FAM	100	58	42	58	42
BOCACC	100	45	55	45	55
IND	100	30	70	30	70

*Notes: BOCFEX refers to average of total score of foreign experience of each members in top management, MEDU refers to natural logarithm of the ratio of total score of education level/ degree of for all top management to the number of top management members, FAM refers to a dummy variable with value of 1 if it is a family company and 0 otherwise, BOCACC refers a dummy variable with the value of 1 if there is at least one member of BOD has expertise in accounting and the value of 0 if it is otherwise, SIZE refers to natural logarithm of total assets, PROFIT refers to return of assets, IND refers to a dummy variable with value of 1 if a company is extractive industries (agriculture or mining industry), and 0 otherwise.*

## 5.2 Diagnostic Tests

Pearson correlation coefficients among independent variables are presented in Table 8. All variables were found to have a correlation value of less than 0.437, which indicated that the multicollinearity problem was not present, as none of the variables correlated above 0.80. A similar result for no multicollinearity problem was also shown in VIF, with its value ranging from 1.05 to 1.28. The VIF value is much lower than 10, and the mean VIF of all independent variables in one regression is only 1.13. Further, the presence of heteroscedasticity problem is checked using Breusch-Pagan. The Breusch- Pagan / Cook-Weisberg test showed insignificant

p-value (0.1963>0.05), suggesting that heteroscedasticity does not exist in the data of this study.

Table 8: Correlation matrix of study variables

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VWCSR	1.00							
FAM	-0.33***	1.00						
BOCFEX	0.17*	0.06	1.00					
BOCACC	0.10	0.03	0.16*	1.00				
MEDU	0.02	-0.34***	0.03	-0.06	1.00			
SIZE	0.27***	-0.22**	-0.01	0.13	0.24**	1.00		
PROFIT	0.30***	0.03	0.10	-0.06	-0.159	-0.08	1.00	
IND	0.43***	-0.06	0.03	0.15	0.221**	0.16*	-0.05	1.00

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

### 5.3 Regression Results

Table 9 presents results of hierarchical regression for H1, H2, H3 and H4. Model 1 only uses family ownership (FAM) as an independent variable. Next, in Model 2, the variables of BOC foreign experience (BOCFEX) and BOC accounting expertise (BOCACC) were added in the model. It was found that all models were significant at p-value of 0.00 with F-statistics of 17.72, 12.67 and 12.06 for Model 1, Model 2 and Model 3, respectively. Adjusted R<sup>2</sup> of the three models were in the range of 40.3 per cent to 43.9 per cent, indicating that the total variation of the quality of VWCSR disclosure can be explained by all variables in Models 1, 2, and 3 within the range of 40.3 per cent to 43.9 per cent. Further, it was also shown that the adjusted R<sup>2</sup> increased from 40.3 per cent (Model 1) to 41.4 per cent (Model 2) when the variables of BOCFEX and BOCACC were added to the model. The result indicated that adding these two variables of BOC characteristics improves the power of the model's explanation with regard to the variation of VWCSR. Moreover, in Model 3, it was found that adjusted R<sup>2</sup> increased even higher when the top management education level (MEDU) variable was added. This asserts that the inclusion of the MEDU variable in the model improves the power of the model to explain the variation of VWCSR.

H1 predicted that family-owned companies are less motivated to engage in VWCSR. The results supported H1, as the coefficients on FAM for all three models in Table 9 were negative and statistically significant at a p-value of 0.00. This indicated that family-owned control discouraged corporate transparency through lower practices in website CSR disclosure.

Family-owned companies tend to act in the best interest of the controlling families rather than the interest of stakeholders. Controlling families seem less responsive to stakeholder requests and are unwilling to protect, develop and invest in their communities and economies (Kim et al., 2017; Morck & Yeung, 2004). The results were also consistent with those of El Ghouli et al. (2016) and Biswas et al. (2019), who found that CSR reporting levels for family-owned companies are significantly lower than those of non-family-owned companies.

H2 purported that BOCFEX and BOCACC are positively related to the quality of VWCSR. The results exhibited in Table 9 discovered that coefficients on BOCFEX are positive and significant in the two models (Models 2 and 3), with a p-value of <0.1 for Model 2 and a p-value of <0.05 for Model 3. These findings were in line with Lau et al. (2016), Al-Mamun and Seamer (2020), and Garanina and Array (2021). These results supported the RDT argument that board foreign experience is a valuable resource for companies to enhance CSR disclosure practices. The plausible explanation is that board members with high foreign experience will likely use their knowledge, networks and connections from overseas to align companies' strategies with the interests of stakeholders/society (Garanina & Aray, 2021).

H3 posited that the presence of accounting expertise on the board (BOCACC) is related to the quality of VWCSR. These results asserted that coefficients on BOCACC are positive but statistically insignificant for the two models. H3 was not supported, and these results were inconsistent with Naheed et al. (2021), who provided evidence that companies with more accounting experts on the board are more likely to be involved with CSR disclosure activity. However, the positive coefficient of BOCACC still supported RDT, which suggested that the presence of accounting expertise on board is a potential resource for companies to promote a better working environment by encouraging more CSR disclosure, especially VWCSR, to the public, thereby reducing problems of information asymmetry.

H4 presumed a positive relationship between the education level of top management and VWCSR practices. The regression results of Model 3 in Table 9 asserted that the coefficient of MEDU is negative and statistically significant. Surprisingly, this result is contradictory to H4 and inconsistent with Liu et al. (2018), Li et al. (2019), and Malik et al. (2020). A plausible explanation for this result is that in Indonesia, educated members of top management play a substitutive effect in getting stakeholders' confidence. Hence, it reduces the need to enhance disclosure to the public. Darmadi (2013) suggested that recruitment of highly-educated top management is viewed as a superior strategy to get investor's confidence within an Indonesian context. From the RDT perspective, it can be argued that instead of enhancing transparency,

educated top management tends to merely play a role as resources to get stakeholders' confidence.

Table 9: Hierarchical regression results

			Model 1	Model 2	Model 3
N			100	100	100
adj. R <sup>2</sup>			0.403	0.414	0.439
F			17.72	12.67	12.06
cons			-24.06	-25.12	-15.71
			(0.160)	(0.142)	(0.361)
Variables	Hypothesis	Pred.	WCSR	WCSR	WCSR
SIZE	Control Variable	+	1.167**	1.142**	1.347**
			(0.037)	(0.041)	(0.016)
PROFIT	Control Variable	+	21.35***	20.59***	18.92***
			(0.000)	(0.000)	(0.000)
IND	Control Variable	+	6.887***	6.694***	7.294***
			(0.000)	(0.000)	(0.000)
FAM	H1	-	-4.379***	-4.557***	-5.436***
			(0.001)	(0.000)	(0.000)
BOCFEX	H2	+		2.652*	2.967**
				(0.075)	(0.044)
BOCACC	H3	+		0.541	0.150
				(0.663)	(0.903)
MEDU	H4	+			-12.46**
					(0.027)

*p*-values in parentheses

\* *p* < 0.10, \*\* *p* < 0.05, \*\*\* *p* < 0.01

This study predicted that family ownership moderated the relationship between BOC's characteristics and the quality of VWCSR. Results of the moderating effect of family ownership are presented in Table 10, showing that the R<sup>2</sup> value of this relationship is 0.433, which is increased from 0.414 in Model 2. This indicated that family ownership moderates the relationship between BOC and the quality of VWCSR disclosure. This result is consistent with Alshirah et al. (2020), which showed a dramatic increase of R<sup>2</sup> from 0.344 to 0.400 for

moderating the family ownership model for the relationship between the board of directors and the level of corporate risk disclosure.

Further, as reported in Table 10, the findings showed that the interaction between family ownership and BOC accounting expertise (BOCACC\*FAM) has a negative and statistically significant effect on the quality of VWCSR disclosure at a 5 per cent level. However, the direct relationship between the BOC accounting expertise (BOCACC) and the VWCSR, as shown in Table 10, is positive and statistically significant at a 10 per cent level. The results indicated that family ownership moderates the relationship between BOC accounting expertise and VWCSR. Thus, H5b was supported. Directly, the presence of BOC accounting expertise is effective in enhancing corporate transparency through VWCSR. However, families are more likely to influence the BOC to lessen CSR practices and disclosure as the activities are considered a cost for firms. These results were similar to those of Jaggi et al. (2009) and Cuadrado-Ballesteros et al. (2015), who confirmed that the monitoring effectiveness of corporate boards could be weakened in family firms. However, the results were inconsistent with Alshirah et al. (2020), which provided evidence in Jordanian listed companies that the presence of dominant families might strongly strengthen the board of directors' effectiveness in enhancing the risk disclosure level.

The moderating variables between family ownership and BOC foreign experience (BOCFEX\*FAM) were found to have a positive and insignificant effect on the quality of VWCSR disclosure. This result indicated no evidence showing that family ownership moderates the positive effect of BOC foreign experience on the quality of VWCSR disclosure (VWCSR). Thus, H5a was not supported. Summary of results can be seen in Table 11.

Table 10: The moderating effect of family ownership

			<b>Model 4</b>
<i>N</i>			100
adj. <i>R</i> <sup>2</sup>			0.433
<i>F</i>			10.47
_cons			-19.95
			(0.239)
<b>Variables</b>	<b>Hypothesis</b>	<b>Pred.</b>	<b>WCSR</b>
SIZE	Control Variables	+	0.963*
			(0.083)
PROFIT	Control Variables	+	19.95***
			(0.000)

IND	Control Variables	+	6.724***
			(0.000)
FAM		-	-4.269*
			(0.086)
BOCFEX		+	1.258
			(0.560)
BOCACC		+	3.586*
			(0.059)
BOCFEX * FAM	H5a	-	2.879
			(0.327)
BOCACC * FAM	H5b	-	-5.304**
			(0.034)

*p*-values in parentheses

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table 11: Summary of results

Variable Name	Variable Code	Hypothesis	Pred.	Results
Family Ownership	FAM	H1	-	supported
BOC foreign experience	BOCFEX	H2	+	supported
BOC accounting expertise	BOCACC	H3	+	Not supported
Management education level	MEDU	H4	+	Not supported
Interaction BOCFEX and FAM	BOCFEX * FAM	H5a	-	Not supported
Interaction BOCACC and FAM	BOCACC * FAM	H5b	-	supported

## 6.0 CONCLUSION

This study extended previous research on corporate website disclosure practices by examining the role of family ownership, board characteristics and top management education in improving the quality of voluntary website CSR disclosure. This study may provide a better understanding of the decision of the internet as a media chosen to publish corporate information in the Indonesian context, where the current OJK regulation about website corporate disclosure has not captured the quality of CSR disclosure. The findings from this study are expected to be useful for management, which is eager to meet actual and potential investors' informational needs, especially information about CSR activities and performance. This study may also be useful for investors concerned about CSR activities and performance as valuable information in assessing company value. Stakeholders can also benefit from this study by monitoring CSR practices and disclosures of listed companies in Indonesia.



This study provided empirical evidence that family-controlled companies were more likely to have a lower-quality voluntary website CSR disclosure than non-family owned companies, indicating that the presence of a controlling family in a company could reduce the quality of voluntary website CSR disclosure. This finding implied that controlling families in emerging countries, like Indonesia, tend to have no motivation to make extensive CSR disclosure.

Regarding board characteristics, this study found that the board's foreign experience level is positively and statistically related to the quality of voluntary website CSR disclosure. This result confirmed resource dependency theory by highlighting that the board's foreign experience is an important resource that can help companies improve voluntary website CSR disclosure quality. The board accounting expertise is found to be insignificantly related to the quality of voluntary website CSR disclosure.

In contrast with this study's expectation, this study found that the relationship between top management education level and the quality of voluntary website CSR disclosure is negative and statistically significant. This result highlighted the substitutive role of top management education level and corporate transparency, particularly reflected in voluntary website CSR disclosure quality. From resource dependence theory, the result can be interpreted as recruiting top management with higher education as a strategy for companies to reduce stakeholder pressures to enhance CSR disclosure.

Further, this study provided evidence of the moderating effect of family ownership on the relationship between the board accounting expertise and the quality of voluntary website CSR disclosure. Meanwhile, it was not statistically proven that family ownership moderates the positive effect of the board's foreign experience on the quality of voluntary website CSR disclosure.

This study comes with its limitations. First, the data used in the study is cross-sectional. Second, the use of a disclosure index in measuring the quality of voluntary website CSR disclosure on corporate websites may suffer from subjective biases of authors. Third, corporate websites provide dynamic information which changes frequently. Consequently, the website information collected in this study may only be relevant for the period during which the website was accessed. Future studies may explore the influence of other elements of corporate governance, such as audit committee characteristics and external auditors, on the quality of voluntary website CSR disclosure index.

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