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The Role of Family Ownership toward Corporate Social Responsibilities: Governance as a Moderating Variable in Indonesia

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ABSTRACT

This study examines the financial implications of corporate social responsibility (CSR) in family firms in Indonesia and the role of corporate governance (CG) in improving the CSR performance of family-controlled firms. Family firms, on the one hand, are known as firms that only care about families, are run privately and ignore wider CSR. On the other hand, it is precisely because it really maintains the "name" so that the family firms will strive to do CSR well to its stakeholders. Corporate governance is measured by using the Stochastic Frontier Approach (SFA). The research sample consists of 102 firm years. The data analysis method uses moderated regression analysis (MRA). The results of this study show that family ownership in manufacturing companies in Indonesia increases CSR disclosure, regardless of whether the stakeholders come from internal or external parties. The results also show that corporate governance, both effectively and efficiently, has no effect on CSR disclosure in general in family firms. However, effective corporate governance can strengthen the relationship between family ownership and CSR disclosure if it is based on internal and external stakeholders. Meanwhile, efficient corporate governance is proven to be unable to enhance the influence of family ownership on CSR disclosure, both in general and in separated way between internal and external stakeholders.

Keywords: CSR Performance, Internal CSR, External CSR, Corporate Governance, Stochastic Frontier Approach (SFA), Family Firm.
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1. Introduction

More than a few decades of debate about the financial implications of corporate social responsibility (CSR) has yet to find the common ground. One party argued that good CSR disclosure will improve company performance and boost company value (Benlemlih & Bitar, 2018; Cook et al., 2018; Jo & Harjoto, 2011, 2012), reduce financial risk (Bouslah et al., 2013), reduce information asymmetry (Benlemlih & Bitar, 2018; Cho et al., 2013), facilitate access to corporate finance (Cheng et al., 2014). Meanwhile, others argued that CSR activities are a source of conflict among stakeholders (Krunger,

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2015). It can reduce company resources caused by unnecessary expenditure (Vance, 1975) and according to (Aupperle et al., 1985) it will lead to the unuseful competition with companies that do not undertake corporate social responsibility (CSR) activities.

If you look at the perspective of those who support CSR activities, CSR is the best contributor to the economic growth of a country and reflects the commitment of a responsible company (Cook et al., 2018; Gregory et al., 2016; Gao et al., 2014; Dhaliwal et al., 2012; McWilliams and Siegel 2000). However, on the other hand, there are contradictory research results. Ghoul, Guedhami, Wang & Kwok (2016) who investigated the impact of family control on CSR performance using data on the main ownership structure of public companies in nine East Asian countries, found that family-controlled firms shows lower CSR performance. There is a negative relationship between family control and quality CSR. Furthermore, they discovered that poor CSR performance was found in family firms with large agency problems and in countries with weak regulatory agencies. In addition, the poor performance of East Asian family firms occurred when controlling for the effects of other large shareholders and when comparing with family firms from other countries. These findings contribute to understand the determinants of CSR and highlight the importance of corporate governance and the institutional environment in improving the CSR performance of family-controlled firms.

Ownership of companies in Indonesia that plays an important role in the economy is largely controlled by families (Charney and Child, 2013; Hanazaki Liu, 2007; Claessenss, Djankov & Lang, 2000). A survey conducted by Price Waterhouse Coopers (PWC) in 2014 also confirmed this statement by stating that more than 95% of companies in Indonesia are owned by families. Family firms are firms where ownership is concentrated in the family and there is involvement of family members in managing the running of the company. Ownership, management, control and goals of family firms to maintain the family dynasty (Tiscini & Donato, 2012; Aronof & Ward, 1995; Tagiuri & Davis, 1989). Family firms have a good reputation because they are known to not only investing in the (financial) side of the business. but also investing in other than financial aspects such as human resources, upholding honor especially when bearing the family's name. In the family firms system, factors of values, traditions and strong family culture as well as pride display a strong identity and commitment (Baur, 2014 ; Tagiuri & Davis, 1996).

The perspective of family and non-family firms is seen from two perspectives, namely, ownership and managerial. The ownership perspective is demonstrated by the holder of most of the company's shares as family members. The managerial perspective is shown by family members as part of management (filling strategic positions) and taking part in firm's policy and control. The founder also has a major role in strategy and policy as well as management control of family firms (Saito, 2008). There are two types of family enterprises, family owned enterprises and family business enterprises. In Indonesia, most family firms are family business enterprises, where family members occupy strategic positions in the company (Susanto, 2005). Having family members will align the interests of shareholders and management, hence, the supervisory mechanism is more efficient and one voice is for the interests and sustainability of the company.

In family business enterprises, there is a separation between owners and managers, thus, the corporate governance becomes more flexible and has clear accountability but still pays attention to the good name of the family. The concept of corporate governance has the aim of ensuring that the firm operates to make the best use of its resources through external and internal mechanisms. Internal mechanisms focus on transparency that encourages companies to present quality financial information. External mechanisms focus on ensuring stakeholder rights including corporate responsibility for environmental sustainability (Garas & Elmasah, 2018). Good governance will produce a good quality of financial report. The quality of financial reports depends on disclosure (information) regarding the selection policy and application of accounting policies and disclosure of company transactions. A higher quality of information facilitates transparency and demonstrates the company's concern for issues that are relevant to stakeholders. Information needed by stakeholders that is not available in the financial statements can be disclosed in CSR disclosures (Ferreo, Ariza & Ballesteros, 2015).

Socioemotional Wealth (SEW) becomes a preference for a family firm in decision making (Borrone et al., 2012; Gomez-mejia, Haynes, Nunez-nickel, and Moyana-Fuentes, 2007). SEW can be considered as the affective value held by family firms that are oriented towards non-economic goals such as family good name, family identity and family control rather than economic (business) goals (Gomez-mejia, Cruz, Berrone and Castro, 2011). Maintaining the good name of the family is a motivation to be

more responsible for stakeholders. The responsibility of the company to the stakeholders is manifested in Corporate Social Responsibility (CSR). The involvement of family members in family firms has a decisive role in CSR disclosure and on average family firms are more willing to disclose good CSR. Campopiano & Massis (2014) stated that family firms have a tendency to disclose more environmental problems and policies, family values, than information about shareholders. Several studies reveal that as the company increases their interest in managing the company's business by paying attention to the needs of stakeholders, it will encourage companies to disclose CSR (Shahzad et al., 2018; Zhong & Gao, 2017; Cabeza-Garcia, Sacristan-Navarro, Gomez-Anson, 2017). Family firms also consider that investing in CSR will provide more long-term financial benefits (Lamb & Butler; Gomez-Mejia, Cruz, & Imperatore, 2014).

According to Berrone et al. (2012) family firms have different characteristics, depending not only on contingency factors but also on the types of stakeholders. Therefore, in this study, we then examine the differences between internal stakeholders and external stakeholders following the research of Gonzalez et al. (2018). The evidence that family firms enforce their activities in the social and environmental fields proves a greater commitment to CSR with external and internal stakeholders. In addition, the greater CSR commitments from family firms according to Gonzalez et al. (2018) are in: (i) under the large presence of family members on the management team and family directors on the board of directors (as a governance factor) and (ii) in other contexts (as environmental factors). Cruz et al. (2014) proved that family owners give different priorities to the demands and concerns of stakeholders, according to stakeholders who are essential for the survival of the company (Berrone et al., 2010). Cruz et al. (2014) classifies these stakeholders as: (i) internal, such as shareholders, employees and suppliers (Clarkson, 1995); and (ii) external, such as the community, media or local environment.

On the other hand, there are several studies that have found that family firms have a negative relationship with CSR disclosure. Like Chen's (2008) research which stated that family firms provide less disclosure (estimates) regarding earnings forecasting. According to Ho and Wong (2001), control mechanisms, such as voluntary disclosure of information (e.g. CSR information), are not required in family firms, because they are usually involved in companies' daily activities and closely monitor managers (Haalien & Huse, 2005). In addition, CSR actions represent a risk in terms of long-term financial performance, implying that family members only assume that the risks in this practice enhance their reputation (Go'mez-Mejı'a, Haynes, Nu'n˜ez-Nickel, Jacobson, & Moyano-Fuentes, 2007). As pointed out by De'iz and Cabrera (2005), family firms tend to view CSR practices as costs rather than opportunities, and they tend to be more interested in profitability and financial performance than social and environmental issues (Burak & Morante , 2007). Thus, if they perform CSR practices at a lower level, they will disclose less comparable information about those actions, with the aim of avoiding comparative harm (Elliott & Jacobson, 1994).

Ghoul, Guedhami, Wang & Kwok (2016) found that family firms have much lower CSR performance than non-family firms. The higher the proportion of independent directors, the higher the level of disclosure of CSR information. However, in the real case of family firms, this "independence" of the directors disappears, thereby reducing the positive relationship with information disclosure because independent directors may be heavily influenced by family owners, and even by personal or familiarity ties (Ballesteros, Rodrı´guez-Ariza, Garcı´a-Sanchez, 2015). Conflicts between families that often occur in family firms will reduce company performance (Dyer, 2006). This situation usually gets bigger when the control of the family firm is in the "hands" of the second generation (and so on) and also with the entry of other parties who become new family members. Family conflicts of Generation 1 and generation 2 (later) in family firms usually arise after the entry of outsiders (Suprianto, 2019; Ensley and Pearson, 2005; Schulze, Lubatkin, Dino, 2003; Davis and Harveston, 1999). When the second or third generation takes over the control of the firm, family priorities decline (Gils, Voordeckers, and Heuvel, 2004). The existence of the second, third and subsequent generations in the family firm will influence priorities and decisions in the family firm, including the relation to CSR disclosure.

As family firms develop, they are likely to have a growing impact on the social and ecological environment in both local and international communities and there is a growing expectation that companies must be accountable to various stakeholders for all of these impacts. Responding to these expectations, more and more regulators are reviewing corporate governance arrangements to ensure that corporate practices are aligned with the interests of the wider community (Ioannou and Serafeim, 2011). Good corporate governance is now closely related to the concept of CSR and accountability. One

of the ways to present CSR is by increasing the disclosure of annual reports by adding CSR activities (Gibson & O'Donovan, 2007). The findings of Chan, Watson, & Woodliff (2014) show the relationship between the quality of corporate governance and CSR disclosure in company's annual reports and suggest that, rather than requiring certain disclosures, regulators might be better off focusing on the quality of corporate governance as a way of increasing CSR disclosure. The quality of corporate governance is a crucial internal contextual factor that is positively related to CSR activities and disclosures (Chan, Watson, & Woodliff, 2014; Michelon and Parbonetti, 2012; Adams 2002).

Some of the studies mentioned above mostly use agency theory in examining the relationship between family firms, corporate governance and CSR. There are still few studies that link the socioemotional wealth theory (SEW) which states that the good name of family firms will be really maintained by also improving the quality of corporate governance. Hence, this study uses the theory of social wealth (SEW) and the relationship between family firms and corporate governance and CSR for enrichment and additional literature. Furthermore, this research is interesting because the quality of corporate governance in the study is measured by the efficiency and effectiveness of corporate governance (using the Stochastic Frontier Approach (SFA) which will reflect more on the quality of corporate governance to obtain maximum output (Lehman et al., 2004).

2. Literature review

2.1 Family Ownership and Corporate Social Responsibility (CSR) disclosure

In the perspective of the socioemotional wealth theory (SEW), family firms in maintaining socioemotional wealth (SEW) will be more inclined towards non-economic policies in decision making (Gomez-Mejia et al., 2014). Family firms are very sensitive to environmental problems, so they are motivated to undertake CSR activities (Izzo & Ciaburri, 2018; Block & Wagner, 2013). Because family firms are, in many cases, things related to maintaining their SEW through their image and reputation, they very much more responsible for the demands of external stakeholders than non-family firms (Berrone et al., 2012). The traditional view is that family firms are usually characterized by non-financial goals, such as identity, reputation, longevity and the preservation of a positive image in the public domain (Anderson and Reeb, 2003; Berrone et al., 2010), and that they tend to be more responsive to social problems and stakeholders rather than non-family firms (Van Gils et al., 2014). Thus, family firms are conservatively expected to be proactive in developing connections with stakeholders, acting as good stewards in the communities where the company operates and take care of the welfare of employees and work environment (internal stakeholders) (Bammens et al., 2014; Gómez- Mejia et al., 2007).

CSR disclosure is a company way to satisfy their stakeholders. External stakeholders and the environment around the company can influence a company's CSR disclosure (Delmas & Toffel, 2008; Christman, 2004; Johnson & Greening, 1999). The presence of a family in the company will encourage the company to disclose its CSR (Lamb & Butler, 2016). Family firms that pay more attention to the environment are more likely to be preventive and conservative (Jaskiewicz & Luchak, 2013). Cruz et al. (2014) proved that family owners give different priorities to the demands and concerns of stakeholders. Stakeholders play a vital role in the survival of the company (Berrone et al., 2010). Cruz et al. (2014) classified these stakeholders, among others: (i) internal: shareholders, employees, and suppliers (Clarkson, 1995); and (ii) external: local community, media or the environment.

Berrone et al. (2010) supported the idea that family owners show a greater preference for socially responsible strategies, focus on internal stakeholders that are vital to the survival of family firm and enable family owners to have ongoing control and influence both directly and indirectly. Meanwhile, dealing with external stakeholders allows family firms to create better relationships with them (Cennamo et al., 2009; Laplume et al., 2008) which will bolster a good reputation, image, and other intangible assets (Aragón- Correa and Sharma, 2003).

Lamb & Butler's research (2016) states that companies with family ownership are able to enhance the strength of CSR. The presence of the family Chief Executive Officer (CEO) will improve the quality of CSR. Likewise, family firms in the United States with the aim of maintaining social wealth (SEW) are more interested in CSR activities (Lamb & Butler, 2016). Lamb & Butler (2016) examines the effect of family ownership on CSR. The results show that family ownership which is managed by the family CEO has an

increase in performance in CSR. Family firms maintain the good family name (SEW) through CSR activities. These findings support the research of (Izzo & Ciaburri; Block & Wagner).

Given the controversy about the orientation of family firms towards internal and external stakeholders, it is hoped that family firms can focus more on doing CSR-related independently for internal and external stakeholders, ensuring the preservation of SEW and the reputation of family firms (Cennamo et al., 2012); that is, family owners and managers avoid any action that could lead to a loss of legitimacy and which could make them irresponsible (Gonzales et al., 2018; Deephouse and Jaskiewicz, 2013) without showing a greater preference for the demands of internal or external stakeholders. Based on the above arguments, the following hypothesis is proposed, broken down into internal and external stakeholders, then the first hypothesis of this study is as follows:

H1a: Family ownership has a positive effect on CSR disclosure.

H1b: Family ownership has a positive effect on internal CSR disclosure activities.

H1c: Family ownership has a positive effect on external CSR disclosure activities.

2.2 Family Ownership, Corporate Governance and Corporate Social Responsibility (CSR) Disclosure

In stakeholder theory, the company runs and operates for the benefit of stakeholders, both internal stakeholders and external stakeholders (Friedman & Miles, 2002). Corporate CSR activities are a form of activity aimed at the interests of stakeholders by the company. Stakeholder interests must be managed properly to escalate the company's profit and reputation (Donaldson & Preston, 1995). Corporate governance is able to encourage CSR disclosure practices in developing countries (Bassiouny & Bassiouny, 2018; Khan et al., 2013).

Good corporate governance will be reflected in the efficiency and effectiveness of the management of family firms. The efficiency of corporate governance is defined as the ratio of output and input, while the effectiveness of corporate governance can be measured by the presence of independent parties in top management positions such as commissioners and directors in companies (Khan et al., 2013; Hannifa & Cooke, 2005). So, the proportion of independent commissioners has a positive effect on CSR disclosure (Jizi et al., 2014; Khan et al., 2013).

Companies with good corporate governance will still be better "state" companies and are more socially and environmentally responsible than companies with bad corporate governance (Chan & Watson, 2014). This, in turn, suggests there should be a strong positive relationship between the quality of corporate governance and the voluntary provision of CSR information. This proposition is supported by Eng & Mak (2003) in terms of total voluntary disclosure and by Van der Laan Smith et al. (2005) and Haniffa and Cooke (2005) with respect to voluntary disclosure of CSR. De Villiers et al. (2011: 1639) state that given the positive relationship between strong environmental performance and shareholder wealth, as well as other non-financial benefits, adherence to good environmental practices should be an important goal for the board of directors. Based on the explanation above and based on the theory of legitimacy and the stakeholder theory, the second hypothesis of this study is as follows:

H2a: Corporate Governance efficiency strengthens the positive relationship of family ownership to CSR disclosure.

H2b: The effectiveness of Corporate Governance strengthens the positive relationship of family ownership on CSR disclosure.

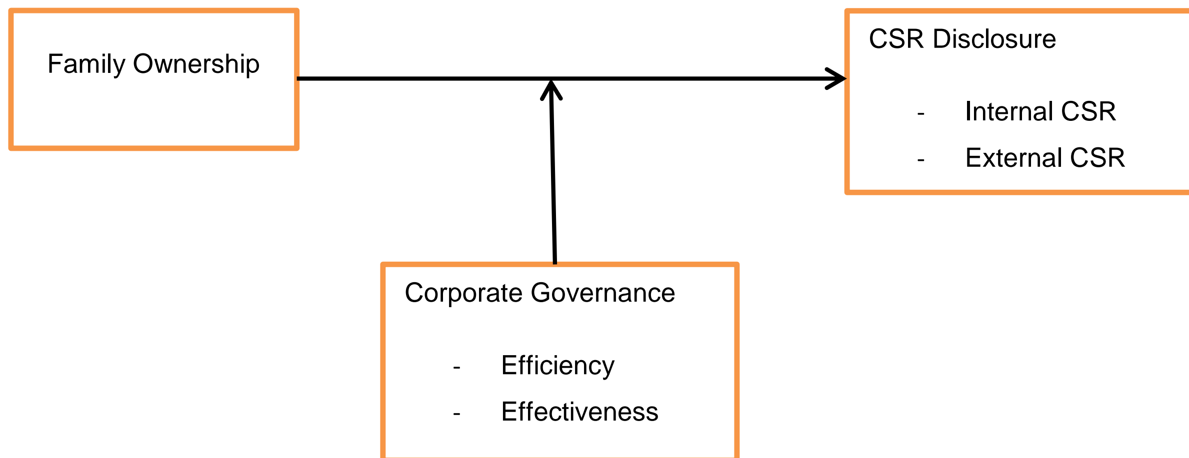
H2c: The efficiency of Corporate Governance strengthens the positive relationship of family ownership on internal CSR disclosure.

H2d: The effectiveness of Corporate Governance strengthens the positive relationship of family ownership on internal CSR disclosure.

H2e: The efficiency of Corporate Governance strengthens the positive relationship of family ownership on External CSR disclosure.

H2f: The effectiveness of Corporate Governance strengthens the positive relationship of family ownership on External CSR disclosure.

2.3 Research image



3. Research and methodology

3.1 Population and sample

The population in this study are manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019. Manufacturing companies are the focus of research because manufacturing companies have homogeneous business processes and the largest industrial groups on the IDX. The research sample is a family company that is included in the manufacturing industry group.

The sample was selected by purposive sampling method with the following criteria:

1. Manufacturing companies listed on the IDX in 2017-2019.
2. The company publishes an annual report (annual report) and an annual report that ends on 31 December and is presented in rupiah units.
3. Family firms that are included in the manufacturing industry group on the IDX in 2017-2019.
4. Companies that are classified as financial companies are excluded from the sample because this industry has different characteristics.

The sample of companies in this study are 34 companies for 3 years, so the total sample of the study is 102 firm years.

3.2 Operational definition of measurement of research variables

3.2.1 Dependent variable

The dependent variable in the study is CSR disclosure. CSR disclosure uses the disclosure of the quantity and quality of the Raar (2002) model. For the quantity component, the value ranges from number "1" to number "5", while the quality of CSR disclosure ranges from number "1" to number "7". The measurements are as follows (Raar, 2002);

1) Qualitative, with the quality of disclosure:
a. 1 = sentence
b. 2 = paragraph
c. 3 = half page of A4
d. 4 = a page of A4
e. 5 > 1 page of A4's
2) Quantitative, , with the quality of disclosure:
a. 1 = moneter
b. 2 = non-moneter
c. 3 = only qualitative
d. 4 = qualitative and monetary
e. 5 = qualitative dan non-monetary
f. 6 = monetary dan non-monetary

g. 7 = qualitative, monetary, and non-monetary

3.2.2 CSR performance: Internal and external stakeholders

Following Cruz et al. (2014), the SEW perspective requires us to consider two groups of stakeholders: internal (i.e., employee and ethical issues) and external (i.e., environmental, stakeholder and human rights issues). Therefore, our 26 items were grouped following the design used such as: company orientation towards internal stakeholders, including behavior towards employees and ethical issues ('Int_CSR'), and orientation towards external stakeholders, including strategies related to environment, human rights and stakeholders, such as customers and suppliers ('Ext_CSR'). Following the criteria of Cruz et al. (2014), 'Ext_CSR' includes procedures, policies and systems related to: (a) human rights (items 1 to 3), (b) environmental issues (items 4 to 8), (c) customer supplier issues (items 9 and 10) and (d) stakeholder concerns (items 11 to 16). Meanwhile, 'Int_CSR' covers strategies and issues related to: (a) employee policies, procedures and systems (items 17 to 22) and (b) governance practices (items 23 to 26).

Table 3.

Corporate social responsibility according to external and internal stakeholders.

External Stakeholders	Inadequate	Weak	Moderate	Good	Exceptional
What is the extent of policy addressing human rights issues?	0	1	2	3	4
What is the extent of systems addressing human rights issues?	0	1	2	3	4
Does the Company report on human rights issues?	0	1	2	3	4
How does EIRIS rate the Company's environmental management system?	0	1	2	3	4
How does EIRIS rate the Company's environmental policy system?	0	1	2	3	4
How does EIRIS rate the Company's environmental reporting system?	0	1	2	3	4
What level of improvements in environmental impact can the Company demonstrate?	0	1	2	3	4

3.2.3 Independent variable

There are two independent variables in this study, namely: family ownership and corporate governance.

a) Firm Ownership

Family firms are companies where ownership is concentrated in the family and there is involvement of family members in managing company’s activities. Ownership, management, control and goals of the family firms are to maintain the family dynasty (Tiscini & Donato, 2012; Aronof & Ward, 1995; Tagiuri & Davis, 1989). In this study, family ownership is measured by the proportion of shares owned by the family following the research of Cabeza-Garcia, Sacristan-Navarro & Gomez-Anson (2017). Furthermore, the proportion of families who are board of commissioners and company directors following the research (Shahzad et al., 2009; Morrone, 2008). This study measures family ownership as follows:

1. Percentage of shares owned by the family.
2. The number of family members who become commissioners divided by the total commissioners in the company.
3. The number of family members who are directors divided by the total directors.

Then made into the following equation:

Family ownership = (proportion of family shares + proportion of family commissioners + proportion of family directors) / 3

b) Corporate Governance

Corporate governance in this study is measured by the efficiency and effectiveness of following the research (Aigner et al., 1977; Lehman, 1977) as follows:

1. **Efficiency** is technical efficiency or organizational efficiency (internal efficiency) by processing certain inputs to get maximum output. This study uses the Stochastic Frontier Approach (SFA) to measure the efficiency of corporate governance. It is stated that SFA has advantages over DEA (Data Envelopment Analysis). First, statistical error can be used as technical inefficiency; second, noise to anticipate disturbance due to inaccuracy in measuring output, and third, random error for uncontrolled exogenous shocks. Measuring the efficiency of corporate governance using SFA is still rarely used in other studies. The SFA equation is:

$$\ln Y = \beta_0 + \beta_1 \ln SM + \beta_2 \ln IM + (\nu + \varepsilon)$$

Keterangan:

Y = output, Return on Asset (ROA)

SM = input, Capital Structure (the ratio of total debt to total assets)

IM = input, Capital Intensity (log of total assets)

$\beta_0, \beta_1, \beta_2$ = constant

ν = error

ε = inefficiency

2. **The effectiveness' measurement** of corporate governance is measured by the composition of the independent board of commissioners. The independent board of commissioners represents the interests of minority shareholders to obtain sufficient information about the company. Thus, the higher the proportion of independent boards of commissioners, it is hoped that it will encourage higher quality voluntary disclosure. Research (Meca et al., 2010; Baek et al., 2009; Akhtaruddin et al., 2009; Donnely & Mulcahy, 2008; Lakhal, 2003) found evidence that the proportion of independent boards of commissioners affects voluntary disclosure positively. The effectiveness of corporate governance is measured by the proportion of independent commissioners to total company commissioners.

4. Data analysis technique

Equation of statistical form of moderation test with 3 MRA models:

Model 1

a. $Y = \alpha + \beta_1.X_1 + €$

b. $Y = \alpha + \beta_1.X_1 + \beta_2.X_2 + \beta_3.X_3 + €$

c. $Y = \alpha + \beta_1.X_1 + \beta_2.X_2 + \beta_3.X_3 + \beta_4.X_1.X_2 + \beta_5.X_1.X_3 + €$

Model 2

a. $Ya = \alpha + \beta_1.X_1 + €$

b. $Ya = \alpha + \beta_1.X_1 + \beta_2.X_2 + \beta_3.X_3 + €$

c. $Ya = \alpha + \beta_1.X_1 + \beta_2.X_2 + \beta_3.X_3 + \beta_4.X_1.X_2 + \beta_5.X_1.X_3 + €$

Model 3

d. $Yb = \alpha + \beta_1.X_1 + €$

e. $Yb = \alpha + \beta_1.X_1 + \beta_2.X_2 + \beta_3.X_3 + €$

f. $Yb = \alpha + \beta_1.X_1 + \beta_2.X_2 + \beta_3.X_3 + \beta_4.X_1.X_2 + \beta_5.X_1.X_3 + €$

Information:

Y = Corporate Social Responsibility (CSR) Disclosure

Ya = CSR_Int

Yb = CSR_Ext

α = Constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = Regression coefficient

X1 = Family ownership

X2 = Corporate Governance efficiency

X3 = Corporate Governance effectivity

€ = Error

Hypothesis 1 testing uses simple regression analysis in model 1a, model 2a and model 3a. This test is conducted to test the effect of the independent variable with the dependent variable. H1 is accepted if ß1 has a significance probability value <0.05, with ß1, with a positive value for model testing (1).

Hypothesis 2 testing was carried out with moderated regression analysis (MRA), by looking at models 1b, 1c, 2b, 2c, 3b and 3c. Hypothesis 2 is accepted if ß3 has a significance probability value <0.05 with ß4, ß5 is positive. If ß4, ß5 = 0; ß2, ß3 ≠ 0, then the variable is not a moderator variable, but an independent variable. If ß4, ß5 ≠ 0; ß2, ß3 ≠ 0 then the moderating variable is a quasi moderator variable. If in models 1b, 2b, 3b occur ß2, ß3 = 0 and in models 1c, 2c, 3c occur ß4, ß5 = 0; ß2, ß3 ≠ 0 in the model then the moderating variable is the pure moderator variable.

There are 4 (four) assumption test for this research results.

- Normality Test
- Multicollinearity Test
- Heteroscedasticity Test
- Hypothesis Test

5. Result and discussion

5.1 Descriptive statistics test results

Table 1 is the result of the descriptive statistical test of the variables studied, with total sample of 101 firm years.

Table 2.

Descriptive statistics.

	Minimum	Maximum	Average	Standard Deviation
CSR	2,00	11,00	6,4851	2,09100
CSRin	1,00	4,00	2,8416	1,06520
CSRex	1,00	4,00	3,2376	0,86196
FO	0,16	0,63	0,3408	0,11661
Inefficiency	-6,83	2,24	0,0005	1,26670
Effectivity	0,00	35,61	2,1899	7,66801

The general conclusion of CSR disclosure in family firms in the manufacturing sector in Indonesia from 2017 to 2019 has been well disclosed. By disclosing more of its role to external stakeholders than internal stakeholders, it is shown that the mean score is higher on the external than internal.

According to the results of data presentation in table 5.1, family ownership shows an average value of 0.3408. This value demonstrates that on average, family firms in the manufacturing sector in Indonesia from 2017 to 2019 had low family ownership. The variation of family ownership is low as indicated by the standard deviation value of 0.11661. The standard deviation value is lower than the average value. It shows that in the observation period there was no high variation between the minimum and maximum values, namely 0.16 and 0.63. Thus, it can be concluded that family firms in the manufacturing sector in Indonesia from 2017 to 2019 have low family ownership.

Based on the results of data presentation in table 5.1, the overall inefficiency of corporate governance illustrates an average value of 0.0005. This value shows that on average, family firms in the manufacturing sector in Indonesia from 2017 to 2019 had efficient corporate governance because they had a low level of inefficiency. The variation of efficient corporate governance measures is high as indicated by the standard deviation value of 2.091. The standard deviation value is higher than the average value. It means that in the observation period, there is a high variation between the minimum and maximum values, namely -6.83 and 2.24. Thus, it can be concluded that family firms in the manufacturing sector in Indonesia from 2017 to 2019 have very good corporate governance efficiency levels.

According to the results of data presentation in table 5.1, the effectiveness of corporate governance as a whole shows an average value of 2.1899. This value shows that on average, family firms in the manufacturing sector in Indonesia from 2017 to 2019 have effective corporate governance because they have a high level of positive effectiveness. The variation of effective corporate governance measures is high as indicated by the standard deviation value of 7.66801. The standard deviation value is higher than the average value, It means that in the observation period, there is a high variation between

the minimum and maximum values, namely 0.00 and 35.61. Thus, it can be concluded that corporate governance effectiveness of family firms in the manufacturing sector in Indonesia from 2017 to 2019 are in a very good level.

5.2 Results of regression analysis and hypothesis testing

The results of regression analysis were carried out by using 3 research models. Model 1 is used to test hypotheses 1a, 2a 2b model 2 is used to test hypotheses 1b, 2c and 2d model 3 is used to test hypotheses 1c, 2e and 2f. The results have been adjusted to be one tailed because the results of the SPSS output are two tailed, with the results of regression testing and the coefficient of determination shown in Table 2.

Table 3.

Summary of regression results.

Model	Variable	Coefficient (t-value)	Testing
Model 1a	Constant (α)	2,533 (12,328)	
	FO	0,001 (2,785)***	Hypothesis 1a
	Adj R^2	0,133	
Model 1b	Constant (α)	2,535 (11,184)	
	FO	0,001 (2,738)***	
	Efficiency	-0,014 (-0,562)	
	Effectivity	0,015 (0.768)	
	Adj R^2	0,107	
Model 1c	Constant (α)	2,280 (6,964)	
	FO	0,000 (0,023)	
	Efficiency	-0,046 (-0,799)	
	Effectivity	0,008 (0,236)	
	Mod1	0,079 (0,661)	Hipotesis 2a
	Mod2	0,019 (0,330)	Hipotesis 2b
	Adj R^2	0,098	
Model 2a	Constant (α)	0,831 (13,406)	
	FO	0,042 (0,580)	Hipotesis 2a
	Adj R^2	0	
Model 2b	Konstanta (α)	0,838 (13,951)	
	FO	0,053 (0,752)	
	Efficiency	-0,007 (-2,276)	
	Effectivity	0,004 (1,652)	
	Adj R^2	0,06	
Model 2c	Constant (α)	0,075 (0,227)	
	FO	0,072 (1,044)	
	Efficiency	0,007 (0,683)	
	Effectivity	0,010 (2,442)***	
	Mod1	-0,032 (-1,444)	Hipotesis 2c
	Mod2	0,189 (2,386)**	Hipotesis 2d
	Adj R^2	0,128	
Model 3a	Constant (α)	1,388 (28,600)	
		-0,127 (-0,524)	Hipotesis 1c
	FO	0	
Model 3b	Constant (α)	1,406 (31,500)	
	FO	-0,186 (-0,845)	
	Efficiency	-0,008 (-4,552)	
	Effectivity	0,004 (1,624)	
	Adj R^2	0,185	
Model 3c	Constant (α)	0,294(0,561)	
	FO	-0,161 (-0,695)	

	Efficiency	-0,010 (-1,853)	
	Effectivity	0,014 (2,628)***	
	Mod1	0,009 (0,598)	Hipotesis 2e
	Mod2	0,279 (2,131)**	Hipotesis 2f
	Adj R^2	0,210	

* Significant at the level of 0.10, ** significant at the level of 0.05, *** significant at the level of 0.01.

This study consists of 2 hypotheses, thus the results show:

• Hypothesis 1a which states that family ownership has a positive effect on CSR disclosure is tested by looking at model 1 in table 5.2. The value of the coefficient and t test of FO (family ownership) is positive, namely a coefficient of 0.001 with a t test value of 2.785 with a significance of 0.004 (0.004 <0.05, so it is significant). This demonstrates that there is a positive effect of family ownership on CSR disclosure so that Hypothesis 1a is accepted.

• Hypothesis 1b which states that family ownership has a positive effect on internal CSR disclosure is examined by looking at model 2 in table 5.2. The value of the coefficient and t test of FO (family ownership) is positive, namely a coefficient of 0.042 with a t test value of 0.580 with a significance of 0.290 (0.290> 0.05 so it is not significant). This indicates that there is no effect of family ownership on internal CSR disclosure, for that Hypothesis 1b is rejected.

• Hypothesis 1c which states that family ownership has a positive effect on external CSR disclosure is tested by looking at model 3 in table 5.2. The value of the coefficient and t test of FO (family ownership) is negative, namely the coefficient of -0.127 with the t-test value of -0.524 with a significance of 0.691 (0.691> 0.05 so it is not significant). This indicates that there is no effect of family ownership on external CSR disclosure, hence Hypothesis 1c is rejected.

• Hypothesis 2a which states that the efficiency of corporate governance amplifies the positive relationship of family ownership to CSR disclosure is examined by looking at model 1 in table 5.2. The value of the coefficient and t test of mod1 is positive, namely a coefficient of 0.079 with a t test value of 0.661 with a significance of 0.256 (0.256> 0.05, so it is not significant). This proves that there is no influence from the efficiency of Corporate Governance to substantiate the positive relationship of family ownership on CSR disclosure, thus Hypothesis 2a is rejected.

• Hypothesis 2b which states that the effectiveness of corporate governance reinforces the positive relationship of family ownership to internal CSR disclosure is tested by looking at model 2 in table 5.2. The value of the coefficient and t test of mod2 is positive, namely a coefficient of 0.019 with a t test value of 0.330 with a significance of 0.371 (0.371> 0.05 so it is not significant). This demonstrates that there is no influence from the effectiveness of Corporate Governance to invigorate the positive relationship of family ownership on internal CSR disclosure, so Hypothesis 2b is rejected.

• Hypothesis 2c which states that the efficiency of corporate governance amplify the positive relationship of family ownership to internal CSR disclosure is tested by looking at model 2 in table 5.2. The value of the coefficient and t test of mod1 is negative, namely the coefficient of -0.032 with the t test value of -1.444 with a significance of 0.923 (0.923> 0.05 so it is not significant). This indicates that there is no influence from the efficiency of Corporate Governance to strengthen the positive relationship of family ownership on internal CSR disclosure accordingly that Hypothesis 2c is rejected.

• Hypothesis 2d which states that the effectiveness of corporate governance reinforce the positive relationship of family ownership to internal CSR disclosure is tested by looking at model 2 in table 5.2. The value of the coefficient and t test of mod2 is positive, namely a coefficient of 0.189 with a t test value of 2.386 with a significance of 0.010 (0.010 <0.05, so it is significant). It means that there is an influence from the effectiveness of Corporate Governance to substantiate the positive relationship of family ownership on internal CSR disclosure, thus Hypothesis 2d is accepted.

• Hypothesis 2e which states that the efficiency of corporate governance amplify the positive relationship of family ownership to external CSR disclosure is tested by looking at model 3 in table 5.2. The value of the coefficient and t test of mod1 is positive, namely a coefficient of 0.009 with a t test value of 0.598 with a significance of 0.271 (0.271> 0.05 so it is not significant). This demonstrates that there is no influence from the efficiency of Corporate Governance to invigorate the positive relationship of family ownership on external CSR disclosure, hence, Hypothesis 2e is rejected.

• Hypothesis 2f which states that the effectiveness of corporate governance substantiate the positive relationship of family ownership to external CSR disclosure is tested by looking at model 3 in table 5.2. The value of the coefficient and t test of mod2 is negative, namely the coefficient of -0.127 with the t test value of -0.524 with a significance of 0.691 (0.691> 0.05 so it is not significant). This shows that there is no influence from the effectiveness of Corporate Governance to amplify the positive relationship of family ownership on external CSR disclosure so that Hypothesis 2f is rejected.

For the test results of the coefficient of determination, according to table 5.2, it is found that the most predictive model in model 1 is in model 1a. Independent variable affects 15% of the variable CSR disclosure, with 85% are coming from outside of the research model. The most predictive model in model 2 is in model 2c. The independent variable which is added by moderating variables affect 19% of the internal CSR disclosure variable, with 81% coming from outside of the research model. The most predictive model in model 3 is in model 3c. The independent variable plus moderating variables affect 25.7% of the external CSR disclosure variable, with 74.3% coming from outside of the research model.

6. Discussion of research results

6.1 Family Ownership and Corporate Social Responsibility (CSR) Disclosure

In the perspective of the socioemotional wealth theory (SEW), family firms in maintaining socioemotional wealth (SEW) will be more inclined towards non-economic policies in decision making (Gomez-Mejia et al., 2014). Family firms are very sensitive to environmental problems, so they are motivated to do CSR activities (Izzo & Ciaburri, 2018; Block & Wagner, 2013).

The results of this study indicate that high family ownership increases the disclosure of Corporate Social Responsibility (CSR). Thus, it proves that the family firms in the manufacturing sector in Indonesia maintain their SEW through their image and reputation. They are very much more responsible for the demands of stakeholders. It denotes that the presence of the family in the company will encourage the company to disclose CSR (Lamb & Butler, 2016). Family firms in Indonesia have more concern for the environment and are conservative in nature (Jaskiewicz & Luchak, 2013). The results of this study are also consistent with the research of Cruz et al. (2014) which proves that family owners give different priorities to the demands and concerns of stakeholders in which stakeholders play a major role in the survival of the company (Berrone et al., 2010). This result is also consistent with the research of Lamb & Butler (2016) which stated that companies with family ownership are able to boost the strength of CSR. The presence of the family Chief Executive Officer (CEO) will improve the quality of CSR. Likewise, family firms in the United States with the aim of maintaining socioemotional wealth (SEW) are more interested in CSR activities (Lamb & Butler, 2016).

The results of this study, however, do not indicate that family ownership has an effect on CSR disclosure if it is separated both internally and externally. This result is different from the research of Berrone et al. (2012) which proves that family ownership is very concerned with external stakeholders than non-family firms, and that they tend to be more responsive to social problems and stakeholders than non-family firms (Van Gils et al., 2014). This study also contradicts the research of Bammens et al. (2014) and Gómez- Mejia et al., (2007) which points out that family firms are conservatively expected to be proactive in developing connections with stakeholders, act as good stewards in the communities where the company operates and care for the welfare of employees and the work environment (internal stakeholders).

The results of this study demonstrate that family ownership in manufacturing companies in Indonesia increases CSR disclosure, but does not raise if it is based on internal or external stakeholders, so that family ownership supports the realization of CSR regardless of the stakeholders. Thus, these results support the ideas of Berrone et al. (2010) that family owners show a greater preference for socially responsible strategies, focus on the survival of family firms and allow family owners to have continuous control and influence both directly and indirectly that will support reputation, image, and other good intangible assets (Aragón-Correa and Sharma, 2003).

6.2 Family Ownership, Corporate Governance and Corporate Social Responsibility (CSR) Disclosure

Companies with good corporate governance will become better companies and more socially and environmentally responsible than companies with bad corporate governance (Chan & Watson, 2014). However, the results proves that corporate governance, either effectively or efficiently, had no effect on CSR disclosure in general in family firms. This result contradicts the research of Eng & Mak (2003), der Laan Smith et al. (2005) and Haniffa and Cooke (2005) who denote that there is a strong positive relationship between the quality of corporate governance and the voluntary provision of CSR information.

The efficiency of corporate governance is defined as the ratio of output and input, while the effectiveness of corporate governance can be measured by the presence of independent parties in top management positions such as commissioners and directors in companies (Khan et al., 2013; Hannifa & Cooke, 2005), the higher the proportion of the independent board of commissioners, it is expected that it will encourage higher quality voluntary disclosure. According to this research, effective and efficient corporate governance has no effect on CSR disclosure in manufacturing sector of family firms in Indonesia, however, corporate governance can effectively reinforce the relationship between family ownership and CSR disclosure if it is based on internal and external stakeholders. Thus, if stakeholders are separated between internal and external stakeholders, the role of corporate governance will effectively rise CSR disclosure up. This is because the role of the independent board of commissioners becomes more specific and focused so that they can perform their role properly. This result is in accordance with the research of Jizi et al. (2014); Khan et al. (2013), Meca et al. (2010) Baek et al. (2009); Akhtaruddin et al. (2009); Donnely & Mulcahy (2008) and Lakhal (2003) who found the evidence that the proportion of independent commissioners affects voluntary disclosure positively.

However, efficient corporate governance by comparing the input and output produced is proven unable to bolster the effect of family ownership on CSR disclosure, both in general and in separated way between internal and external stakeholders. These results indicate that effective corporate governance in family firms is not able to invigorate the effect of family ownership on CSR disclosure in manufacturing companies in Indonesia.

7. Conclusions

The results of this study indicate that high family ownership increases the disclosure of Corporate Social Responsibility (CSR). Thus, it is proven that the family firms in the manufacturing sector in Indonesia maintain their SEW through their image and reputation. They are very much more responsible for the demands of stakeholders. Family ownership in manufacturing companies in Indonesia escalate CSR disclosure, but it is not specifically based on internal and external stakeholders, so that family ownership supports the realization of CSR regardless of the stakeholders.

The results show that corporate governance, both effectively and efficiently, have no effect on CSR disclosure in general in family firms. Based on this research, effective and efficient corporate governance have no effect on CSR disclosure in manufacturing sector of family firms in Indonesia, however, corporate governance can effectively strengthen the relationship between family ownership and CSR disclosure if it is based on internal and external stakeholders. Thus, if stakeholders are separated between internal and external stakeholders, the role of corporate governance will effectively boost CSR disclosure. However, efficient corporate governance is not able to rise up the influence of family ownership on CSR disclosure, either generally or separatedly between internal and external stakeholders.

Limitations

The measurement is still very subjective, especially the assessment of internal and external CSR because it's impossible for researchers to do verification directly to the company.

For further research, if it is possible to do direct verification (for example by distributing questionnaires to companies directly), it could obtain different results.

Implication

This research supports the idea that family firms carry out their activities in the path of social and environmental behavior, which suggests a greater CSR commitment as well. Moreover, the greater CSR commitment of the family firm is even superior: (i) under the large presence of family members on the management team and family directors on the board of directors (as a governance factor) and (ii) in other contexts (as an environmental factor).

We augment the existing limited research by examining the relationship between the quality of corporate governance (controlling for various other company characteristics) and the amount of CSR disclosure provided in the annual reports of family firms. Furthermore, the advice given to family firms is that the possibility of CSR disclosure in Indonesia is also specified between Internal CSR and External CSR.

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