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Corporate Social Responsibility (CSR) Disclosure on Politically Connected-Family Firms

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Abstract:

Research aims: This study examines the relationship between political connections and family ownership toward CSR activities disclosure.

Design/Methodology/Approach: This study employed 624 Indonesian public companies on the Global Reporting Initiative (GRI) list for 2010-2018. The researchers used OLS (Ordinary Least Squares) regression by considering the fixed effect diversity of industry, year, and type of GRI to examine the relationship between political connections and family ownership on CSR disclosure.

Research Findings: This study discovered that companies with political connections disclosed more CSR activities because they desired to bind themselves with the government, instruments of legacy, and social motivation. However, family firms were not found to have a significant relationship with CSR disclosure. In addition, the strong family ownership in the firm impacted the reduced strength of political connections, thereby reducing the company's CSR activities disclosure.

Theoretical contribution/Originality: This study is interesting because the researchers combined the issue of the politically connected board and family firms, which are frequently found in the context of Indonesian companies. The researchers expect this study to enhance corporate board characteristics and CSR disclosure literature. Practically, the researchers expect this study could provide useful information for investors to make investment decisions. Furthermore, this study provides insight for regulators, who need a view of how political connections and family companies exist in responding to the regulations they set. Therefore, the existing regulations can be improved. Yet, this study was limited to the proxy of political connection based on local regulation of politically exposed person (PEP).

Keywords: Political Connection; Family Firms; CSR Disclosure

Introduction

Awareness of a sustainable economic, social, and environmental balance known as the sustainability development goals (SDG) has increased and developed in society. One example of the commitment of world leaders is making sustainability reporting mandatory for the public. The report contains the company's actual sustainability performance covering three aspects: economic, social, and environmental (Papoutsi & Sodhi, 2020). Several countries that have made this regulation mandatory include Malaysia in 2007, China in 2008, Denmark in 2009, and North Africa in 2010. Subsequently, Brazil, Hong Kong, and India made regulation

mandatory in 2012 (Ioannou & Serafeim, 2019). In addition to operating for business interests, companies are responsible for addressing their operations' impact (Velte et al., 2020).

In Indonesia, the obligation to issue sustainability reports is stipulated in the Presidential Regulation of the Republic of Indonesia Number 59 of 2017 and Regulation of the Financial Services Authority Number 51 of 2017. Based on these regulations, companies listed on the Indonesia Stock Exchange are required to submit sustainability reports annually starting from 2016. The obligation to submit sustainability reports does not always require changes in the company's CSR activities. Still, mandatory reporting can increase the transparency of CSR activities disclosure and make it easier for the government to pressure companies to be more involved in CSR activities (Chen et al., 2018). However, CSR activities carried out by the company do not necessarily have an impact on financial performance because the disclosure transparency is difficult to affect financial performance through the free cash flow changes (Sekhon & Kathuria, 2019; Ting, 2021; Lueg et al., 2019). Even so, increasing disclosure transparency can reduce information asymmetry among stakeholders and have implications for low financial risk (Lueg et al., 2019).

Moreover, the governance issue has become an interesting topic in politically connected companies (Wati et al., 2020). Previous research has revealed how corporate governance with a political connection could affect the low financial performance (Faccio, 2006; Boubakri et al., 2012; Jackowicz et al., 2014; Ling et al., 2016; Harymawan et al., 2019). In fact, having a close relationship with the government can be a precious social capital for the company. This close relationship, commonly known as political connection, has proven to provide many advantages for companies, including lower effective tax rates (Wu et al., 2012), ease of obtaining full loans from state banks (Fu et al., 2017), priority in obtaining bailed out funds (Hung et al., 2017), and leeway to enter heavily regulated industries (Wang et al., 2016).

On the other side, the issue of information transparency related to environmental and social impacts is fundamental for companies to build communication and public trust (Li et al., 2019). Kuo et al. (2011) found that government-affiliated companies were significantly more committed to disclosing environmental information, especially energy-saving, carbon reduction, and economic development. This disclosure is expected to obtain a positive response from other company stakeholders (Zhang et al., 2014). Disclosure of CSR activities can also be seen as an instrument to achieve legitimacy from stakeholders (Bianchi et al., 2019). In this regard, companies with political connections want to show that they operate according to society's expectations. Thus, politically connected companies disseminate more information than non-politically connected companies (Tessema, 2019).

Furthermore, Zaid et al. (2020) suggested that the ownership structure plays an essential role in disclosing CSR activities. The diversity of ownership structures can affect the relationship between companies and stakeholders, reflected in the CSR reporting level and quality (Van der Laan Smith et al., 2005). Specifically, as one of the developing

countries in the Southeast Asia Region, Indonesia is closely related to the phenomenon of family ownership. Sixty-eight percent of companies in Indonesia are family companies (Claessens & Djankov, 2000). Family companies are considered more socially responsible than non-family companies (Abeysekera & Fernando, 2020; Madden et al., 2020). In addition, family firms have greater reputational concerns than non-family firms because reputation affects the firm's financial performance and the family name (Dyer & Whetten, 2006; Zellweger et al., 2011). It motivates family firms to be more involved in CSR activities, to protect their socio-emotional wealth (Berrone et al., 2010; López-González et al., 2019; Kuttner et al., 2020).

In this case, family companies can be responsible and irresponsible across various CSR dimensions. Block and Wagner's (2014) results showed that family ownership was negatively related to society CSR performance and positively related to aspects of employee diversity, the environment, and products. In this case, family companies that share business ownership with outsiders (non-family) can develop a short-term orientation that benefits themselves (Biswas, Roberts, & Whiting, 2019). Families with substantial ownership and a controlling position in the company can also seek personal gain at the expense of minority shareholders through information asymmetry (Cheng, 2014). Moreover, family companies are known as the appointment of company management based on close or family relationships (Xu et al., 2015). As politically connected parties, appointments based on personal ties or intimacy put them under the family's influence. As a result, politically connected parties also in a minority position can ultimately not put sufficient pressure on management to increase the CSR reporting level.

Therefore, this research was conducted on public companies listed on the Global Reporting Initiative (GRI) from 2010 to 2018. A final sample of 624 companies was tested using OLS linear regression, considering the fixed effect of industry diversity, year, and type of GRI. This study used the definition of key political connections from the previous study (Faccio, 2010), and the researchers added definitions from Indonesian bank regulations to strengthen the results. As for family companies, two different approaches were employed: the participation of family members as members of the company's board (Chen et al., 2008) and the value of family ownership of company shares (Berrone et al., 2010). Then, the CSR activities disclosure was measured by the number of items disclosed according to the GRI standards in the sustainability report or annual report, which has a special section on sustainability.

This research is interesting because the researchers combined the issue of political connection and family ownership, which have not been previously studied, to determine their relationship with CSR disclosure. In a developing country like Indonesia, the existence of political connections and family ownership is often an inseparable part. Thus, this study contributes to the literature on political connections, family ownership, and CSR activities disclosure, especially in the setting of Indonesia. The researchers expect the results could provide useful information for investors to make investment decisions. Furthermore, this study could provide insight for stakeholders, such as regulators, who need to view how political connections and family companies respond to the regulations

they set for improvement in the future. Therefore, the existing regulations can be improved.

This article consists of five parts: background, previous research & hypothesis development, methodology, results & discussion, and conclusion.

Literature Review and Hypotheses Development

Legitimacy Theory

Legitimacy theory explains why company management performs certain actions, such as disclosing social and environmental information. Companies seeking legitimacy must make their actions accountable to meet society's expectations because there is an implied 'social contract' between the company and society (Deegan, 2007). If the community considers that the company has violated its expectations, it will threaten its sustainability. People dissatisfied with the company's operations will also effectively revoke the 'contract' for the company (Deegan, 2002). In addition, a "legitimacy gap" emerges when there is a mismatch between company activities and societal expectations (Deegan, 2007). Therefore, managers adopt strategies to demonstrate that the organization is trying to meet societal expectations (Montecchia et al., 2016). For legitimate company actions, disclosure of relevant company information is needed (Kent & Zunker, 2013). In this case, economic, environmental, social, and political factors influence the disclosure of this information. In addition, consistency is required from the company to keep its activities in accordance with the values held by the community. Company managers must also take corrective action if there is a discrepancy between values considered necessary by society (Deegan, 2002). Therefore, based on this theory, CSR activities are seen as an instrument to achieve legitimacy so that companies with political connections may report more of their CSR involvement to gain support from stakeholders.

Behavioral Agency Theory

Behavioral agency theory states that managers' risk-taking behavior is related to the company's strategic choices, where managers will avoid losing their personal wealth (Nordqvist et al., 2015). Behavioral agency theory also assumes that agents are self-serving individuals whose risk preferences change relative to how they frame their decision problems. Agents consider their future compensation from continuing work as part of their recent wealth. Thus, they generally prefer decision alternatives that help avoid the loss of current wealth even if it means accepting higher risk for their prospective wealth (Wiseman & Gómez-Mejía, 1998).

Specifically, the context of family firms can relate to this behavior agency theory since this theory encourages firms to protect expected socio-emotional wealth by not responding to minority stakeholder CSR requests so that family firms may report less CSR activity. Strong family ownership ultimately weakens CSR disclosure activities, so family companies with political connections may disclose fewer CSR activities.

Hypotheses Development

In recent years, CSR activities focusing on social interests have almost surpassed the company's business interests (McWilliam & Siegel, 2001; Cui et al., 2018). Research by Ioannou and Serafeim in 2017 on S&P 500 companies in the last five years revealed a rapid increase in the percentage of companies releasing sustainability reports by 60%. Based on a survey conducted by KPMG in 2017, countries that did not yet have mandatory CSR reporting regulations tended to introduce them, and those that have already had them strengthen and even add new essential issues. The next concern is what if a company with a business orientation that essentially aims to seek as much profit as possible is involved in CSR activities that are not certain to improve the company's financial performance (Lamb & Butler, 2016). If this reporting activity is profitable, the company will undoubtedly become involved in making a disclosure report before the emergence of the mandatory rule (Chen et al., 2018).

In addition, political connections within the company attract its primary attention to corporate governance and information disclosure issues (Wati et al., 2020). Information transparency related to environmental and social impacts is crucial for companies to build communication and public trust (Li et al., 2019). Tessema's (2019) research showed that politically connected firms disseminated more information than non-politically connected firms, and governance mechanisms play an essential role in this. Good corporate governance increases transparency and can be used as an effective tool for mitigating the detrimental effects of political connections (Al-Hadi et al., 2017).

Political ties can also provide firms with the resources they need to achieve their goals and may even provide large returns that result in better financial performance (Wu et al., 2012; Ding et al., 2014). Therefore, political connections should influence the choices and behaviors of politically connected firms, such as their disclosure strategies (Dicko et al., 2020). In this case, through more CSR disclosures, stakeholders' awareness regarding political connections within the company will be reduced (Bianchi et al., 2019). CSR activities are also seen as an instrument to achieve legitimacy, communicated through CSR reporting.

H₁: Firms with political connections disclose more of their CSR activities.

The family firms decided to be involved in CSR activities because the owner is concerned for the company's reputation. Also, family firms have greater reputational concerns than non-family firms because reputation affects the firm's financial performance and the family name (Dyer & Whetten, 2006; Zellweger et al., 2011; Campopiano & De Massis, 2015). It motivates family firms to be more involved in CSR activities, to protect their socio-emotional wealth (SEW) (Berrone et al., 2010; López-González et al., 2019; Kuttner et al., 2020). Then, this concern creates a demand for corporate social responsibility (CSR) disclosure (Gusrianti et al., 2020).

However, family firms that share business ownership with outsiders (non-family) can also develop a short-term orientation that benefits themselves (Biswas, Roberts, & Whiting, 2019). By controlling the firms' shareholding, the family has the option not to respond to the CSR requests of minority stakeholders. Nevertheless, it can cause conflict due to information asymmetry between the majority (family) and minority (non-family) shareholders. Here, family control from the management side exerts influence and oversees company decisions (De Massis et al., 2014). Family ownership also makes controlling owners maintain financial resources within the company at the expense of CSR reporting (Kim et al., 2017).

H₂: Family firms disclose less of their CSR activities.

Moreover, the effect of strong family ownership can eliminate director independence, thereby reducing the positive relationship between director independence and CSR information disclosure. In the case of family firms, the independence of these directors may disappear, thereby reducing the positive relationship with the information disclosure. It is because independent directors may be strongly influenced by family owners and even by personal ties or intimacy (Cuadrado-Ballesteros, Rodríguez-Ariza, & García-Sánchez, 2015). In addition, the family may have influenced the politically connected party at his appointment. Political connections can also not put sufficient pressure on management to increase the CSR reporting level because of their minority position in the company's management.

H₃: Family firms with political connections disclose fewer CSR activities.

Research Method

Research Design

The initial sample of this study was 4,995 firms (555 companies per year) from various industrial sectors listed on the Indonesia Stock Exchange from 2010 to 2018. The researchers used OLS (Ordinary Least Squares) regression by considering the fixed effect diversity of industry, year, and type of GRI to examine the relationship between political connections and family ownership on CSR disclosure. This analysis showed the direction and strength of the relationship (significance level) between several independent, dependent, and related control variables simultaneously. Also, this study employed OLS analysis to see the relationship between political connections and family firms in the CSR activities disclosure. Based on the criteria for the research sample, firms that were not in the GRI database (did not publish a sustainability report or did not have a special section related to sustainability in the annual report) were 4,343 observations. All industrial sectors were selected as samples with the aim that this research can provide a broader picture of the CSR activities disclosure, especially in companies with political and family connections. In addition, if some prior studies excluded the financial and banking industry sectors, this study considers that the industry does not have a significant impact because

there are no measurements related to cash flow. Furthermore, companies that did not have complete financial data were eliminated until the final sample of 624 companies remained.

The first group of data used was financial data, such as total assets and total debt, obtained from the OSIRIS database. The second data group was non-financial data (CSR disclosures, political connections, and family companies), collected manually. CSR disclosure data was collected manually with content analysis techniques based on the GRI framework and then averaged. Then, political connection data were gathered from the background of the political experience of the company's commissioners, directors, and audit committees in the company's annual report. Meanwhile, family company data were compiled from ICMD data by marking the last name or surname in the management and sharing ownership.

Data and Variables

CSR Disclosure

CSR activities disclosure in this study is defined as a written submission of information related to CSR activities that the company has carried out in sustainability reports and annual reports. CSR activities disclosure is measured by the total number of items disclosed by the company divided by the total disclosure items in the GRI index (average disclosure), referring to the research of Nekhili et al. (2017). This study used the GRI index as a reference for disclosing the company's CSR activities (Talbot & Barbat, 2019; Haque & Jones, 2020). The Global Reporting Initiative (GRI) index is based in Amsterdam, the Netherlands, with data coverage from 100 countries over 20 years. GRI, as an internationally recognized standard, exists to help businesses and governments communicate their operational impact on sustainability-related issues, such as climate change, human rights, social governance, and others (GRI 2019). The GRI Index has been refined from time to time as follows:

1. GRI G1 published in 2000
2. GRI G2 published in 2002
3. GRI G3 published in 2006
4. GRI G3.1 published in 2011
5. GRI G4 published in 2013
6. GRI Standards published in 2016

The calculation of CSR disclosure can be shown as follows:

$$CSRSD = \frac{\sum X_{i,j}}{n_j}$$

Detail: CSRSD = Score of CSR disclosure; $X_{(i,j)}$ = Total items disclosed; a value of 1 when disclosing the required items and a value of 0 if it does not disclose the required items.; n_j = Total items that should be disclosed.

Political Connection

Political connections in this study are expressed through the political background of the company's board of directors (commissioners, directors, and audit committees). The political background in this study refers to the definition of Faccio (2006) and Faccio (2010). In the Indonesian context, several positions have political value, but they have not been included in the definition, so this research also alludes to the PEP (politically exposed person) in Bank Indonesia Regulation Number 12 of 2010, in the explanation of Article 11, which is in line with Harymawan's (2019) research.

Furthermore, this study classified the backgrounds of these politically connected parties into several categories as their political backgrounds, such as former members or chairman of the MPR (People's Consultative Assembly), DPR (House of Representatives), ministers, military, and others, as researched by Pascual-fuster and Crespí-Cladera (2018).

Family Firm

A family business or firm is characterized by one or more family founders in top managerial positions and controlling the majority of the company's shares or participating as members of the company's board (Chen et al., 2008). Family companies are also often measured by the percentage of voting rights held or the value of the company's share ownership within a certain threshold, for example, 5% (Berrone et al., 2010), 10% (Mok et al., 1992), and even 25% (Chau & Leung, 2006). According to O'Boyle et al. (2010), family involvement represents a substantial family presence in ownership, governance, management, and succession. In addition, the involvement of family members in management is often correlated with the percentage of equity held by the family (Berrone et al., 2010).

Control Variable

This study used two groups of control variables, namely the company's financial performance variable group, including **FIRMSIZE** and **LEVERAGE**, and the group of corporate governance variables, comprising audit quality represented by the type of public accounting firm (**BIG4**), age of the firm calculated from the year of establishment (**FIRMAGE**), the number of boards (**BOARDSIZE**), and percentage of independent commissioners (**INDCOM**).

Analysis Method and Mode

The authors chose ordinary least square regression analysis (OLS) as an analytical technique because this technique can help explain the relationship between the independent and dependent variables in the unbalanced panel data type (Lind et al., 2007). This analysis showed the direction of influence and the strength of the relationship (significance level) between several independent, dependent, and related control variables simultaneously.

This study's first hypothesis (H1) estimated that companies with political connections disclosed more CSR activities than companies without political connections. This study's second hypothesis (H2) predicted that family firms disclosed less CSR activities than non-family firms. Then, multiple linear regression (OLS) was used with Equation (1) to test these hypotheses. This model includes a set of control variables following previous studies on political connections (Harymawan & Nowland, 2016); Harymawan et al., 2017; Harymawan et al., 2019). In addition, this study also controlled for the fixed effect of industry diversity, year, and GRI. The details of Equation (1) are presented as follows:

$$CSR_D : \alpha + \beta_1 PCON + \beta_2 FF + \beta_3 BIG4 + \beta_4 FIRMZISE + \beta_5 FIRMAGE + \beta_6 LEVERAGE + \beta_7 BOARDSIZE + \beta_8 INDCOM + \beta_9 YEAR + \beta_{10} INDUSTRY + \beta_{11} GRI + \epsilon \dots (1)$$

Then, this study's third hypothesis (H3) stated that family firms with political connections disclosed less CSR activities. Here, multiple linear regression (OLS) was utilized with Equation (2) presented below:

$$CSR_D : \alpha + \beta_1 PCON*FF + \beta_2 PCON + \beta_3 FF + \beta_4 BIG4 + \beta_5 FIRMZISE + \beta_6 FIRMAGE + \beta_7 LEVERAGE + \beta_8 BOARDSIZE + \beta_9 INDCOM + \beta_{10} YEAR + \beta_{11} INDUSTRY + \beta_{12} GRI + \epsilon \dots (2)$$

Result and Discussion

Descriptive Statistics and Univariate Analysis

The research variables used in this study are available in appendix A. All analyzes in this study were carried out entirely in Stata 14 software to reduce the potential for human error. Table 1 shows the distribution of research samples per year from companies that issued sustainability reports or had a special section on sustainability in their annual reports. Although the mandatory rules for submitting sustainability reports began in 2016, not many public companies in Indonesia have implemented this rule. In this study, the sample distribution table also divides companies by family and non-family companies. It was revealed that fewer family companies were involved in this activity than non-family companies.

Table 1 Annual Sample Distribution

YEAR	∑ Family Firm	∑ Non-Family Firm	∑ Total Firms
2010	3	58	61
2011	3	59	62
2012	3	58	61
2013	7	62	69
2014	9	62	71
2015	7	68	75
2016	7	67	74
2017	6	71	77
2018	8	66	74
Total	53	571	624

Table 2 presents the distribution of research samples based on eight industrial sector classifications made by the US government. The industrial sector classification is based on the company's main business unit. In this case, the banking sector and financial institutions dominated the issuance of sustainability reports for as many as 185 companies, followed by the mining sector for as many as 134 companies. The construction sector had 85 companies, and the transportation, communications, and utility sector had 78 companies. Meanwhile, the highest distribution of family companies in this study was banking and financial institutions, with as many as 16 companies, followed by the mining sector, with as many as 16 companies.

Table 2 Industry Sample Distribution

SIC	INDUSTRY	FF		NON-FF		TOTAL	
		N	%	N	%	N	%
0	Agriculture, Forestry, and Fishing	7	18%	33	83%	40	100%
1	Mining	16	12%	118	88%	134	100%
2	Construction Industries	9	11%	76	89%	85	100%
3	Manufacturing	0	0%	57	100%	57	100%
4	Transportation, Communication, and Utilities	0	0%	78	100%	78	100%
5	Wholesale and Retail Trade	0	0%	27	100%	27	100%
6	Banking & Financial Institution	17	9%	168	91%	185	100%
7	Services Industries	4	22%	14	78%	18	100%
TOTAL		53		571		624	

Table 3 displays descriptive statistics, including the mean, median, minimum, and maximum values of the research variables used in the study. The research variables were presented after the winsorization treatment in the original values or before *ln* and *log*. This study used the average value of the disclosure score to measure CSR disclosure (*CSR*), a dummy variable to measure political connections (*PCON*), and family firms (*FF1*, *FF2*).

Table 3 Descriptive statistics (n=624)

	MEAN	MEDIAN	MINIMUM	MAXIMUM
CSR	0.428	0.368	0.048	1.000
PCON	0.813	1.000	0.000	1.000
FF1 (ownership)	0.085	0.000	0.000	1.000
FF2 (family member)	0.168	0.000	0.000	1.000
BIG4	0.715	1.000	0.000	1.000
FIRMSIZE(TASSET)	75,710,000,000	21,250,000,000	276,000,000,000	910,000,000,000
FIRMAGE	44.314	41.000	1.000	123.000
LEVERAGE	0.619	0.620	0.137	1.195
BOARDSIZE	12.179	12.000	4.000	23.000
INDCOM	39.518	40.000	0.000	87.500

Table 4 on firm characteristics presents a comparison of characteristics between two groups of companies. Panel A compared the characteristics of companies with political connections and those without political connections. The coefficient of *CSR* was 4.763

and was significant at the 1% level. These results indicate that politically connected companies in Indonesia disclosed more CSR activities than non-politically connected companies.

Table 4 Firm Characteristic (n=624)

Panel A CSR Disclosure (<i>CSR</i> <i>D</i>) in Politically Connected Firms (<i>PCON</i>)				
	<i>PCON</i>	NON- <i>PCON</i>	MEAN t-value	MEDIAN z-test
<i>CSR</i> <i>D</i>	0.449	0.338	4.763***	4.934***
Panel B CSR Disclosure (<i>CSR</i> <i>D</i>) in Family Firms (<i>FF1</i>)				
	<i>FF1</i> (ownership)	NON- <i>FF1</i>	MEAN t-value	MEDIAN z-test
<i>CSR</i> <i>D</i>	0.365	0.434	-2.102**	-2.578**
Panel C CSR Disclosure (<i>CSR</i> <i>D</i>) in Family Firms (<i>FF2</i>)				
	<i>FF2</i> (family member)	NON- <i>FF2</i>	MEAN t-value	MEDIAN z-test
<i>CSR</i> <i>D</i>	0.353	0.444	-3.712***	-4.221***

significant in 10%, 5% and 1%.

Panel B compared the characteristics of family and non-family firms in terms of family shareholding. The coefficient of *CSR**D* was -2.102 and was significant at the 5% level. These results denote that family companies in Indonesia disclosed less CSR activities than non-family companies. Panel C aligns with Panel B, showing a comparison of the characteristics of family and non-family firms in terms of family management. The coefficient of *CSR**D* was -3,712 and was significant at the 1% level. This result reinforces that family firms in Indonesia disclosed less CSR activities than non-family firms.

Table 5 concerning Pearson correlation shows the relationship matrix or random correlation between research variables. This matrix measures the dependence and direction of the linear relationship between two variables (Zhou et al., 2017). The positive or negative sign indicates the direction, and the significance level signifies the strength of the relationship. The results revealed that political connections significantly and positively impacted CSR disclosure. Meanwhile, family companies from both proxies (share ownership and managerial) had a significant negative relationship with CSR disclosure.

Table 6 exhibits the OLS regression results to test hypotheses 1 and 2 in this study. In specifications (1) and (2), a proxy for political connections was used, referring to the research of Faccio (2006) and Faccio (2010) with the addition of the Bank Indonesia Regulation of 2010 regarding politically exposed persons to adapt to the Indonesian context. Specification (1) showed that the coefficient of politically connected companies (*PCON*) was 0.082 and was significant at the 1% level (t=4.48). Meanwhile, specification (2) revealed that the coefficient of politically connected companies (*PCON*) was 0.083 and was significant at the 1% level (t=4.48). These results imply that companies with political connections disclosed more CSR activities than companies that did not have political connections, so hypothesis 1 was accepted. This result is in accordance with the legitimacy theory. Based on this theory, CSR activities are seen as an instrument to achieve legitimacy so that companies with political connections may report more of their CSR involvement to gain support from stakeholders.

Table 5 Pearson Correlation

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
[1] <i>CSR</i>	1.000									
[2] <i>PCON</i>	0.188*** (0.000)	1.000								
[3] <i>FF1</i> (ownership)	-0.084** (0.036)	- (0.133*** (0.001)	1.000							
[4] <i>FF2</i> (family member)	-0.147*** (0.000)	- (0.168*** (0.000)	0.262*** (0.000)	1.000						
[5] <i>BIG4</i>	0.180*** (0.000)	0.106*** (0.008)	-0.100** (0.012)	-0.086** (0.032)	1.000					
[6] <i>FIRMSIZE</i>	0.201*** (0.000)	0.352*** (0.000)	- (0.142*** (0.000)	- (0.204*** (0.000)	0.385*** (0.000)	1.000				
[7] <i>FIRMAGE</i>	0.116*** (0.004)	0.035 (0.381)	-0.066* (0.098)	- (0.154*** (0.000)	0.057 (0.154)	0.180*** (0.000)	1.000			
[8] <i>LEVERAGE</i>	-0.146*** (0.000)	0.062 (0.125)	0.100** (0.012)	0.043 (0.289)	- (0.141*** (0.000)	0.376*** (0.000)	0.276*** (0.000)	1.000		
[9] <i>BOARDSIZE</i>	0.221*** (0.000)	0.302*** (0.000)	-0.080** (0.045)	- (0.103*** (0.010)	0.362*** (0.000)	0.669*** (0.000)	0.255*** (0.000)	0.107*** (0.007)	1.000	
[10] <i>INDCOM</i>	-0.064 (0.109)	0.009 (0.816)	0.015 (0.700)	-0.084** (0.036)	-0.060 (0.134)	0.247*** (0.000)	-0.007 (0.864)	0.235*** (0.000)	0.079** (0.048)	1.000

Significant in 10%, 5%, and 1%.

The difference in specifications (1) and (2) lies in the family firm proxy. Specification (1) used a family firm proxy (*FF1*) built by Berrone et al. (2010), which defined a family firm in terms of share ownership by a family of at least 5%. Meanwhile, specification (2) employed a family firm proxy (*FF2*) based on Chen et al. (2008), characterizing a family company in terms of family management. The two proxies of family firms showed insignificant results and implied no relationship between family ownership and the disclosure of CSR activities, so hypothesis 2 was rejected.

Then, the R-squared values in the two regression models indicated by specification (1) and specification (2) were both 0.407. It denotes that the regression model could explain the relationship between the independent and dependent variables by 40.7%, while the rest was explained by other variables not included in this study.

Moreover, Table 7 presents the OLS regression results to test hypothesis 3 in this study. In specification (1), a family firm with political connections (*PCONxFF1*) had a coefficient of -0.189, with a significance level of 1% ($t=-3.54$). These results indicate that family firms with political connections disclosed less CSR activities, so hypothesis 3 was accepted. In this case, strong family ownership allegedly weakens the influence of political connections and encourages low CSR activities disclosure. Then, specification (2) tried to re-test this relationship using different family firm proxies. Unfortunately, specification (2) of a family firm with political connections (*PCONxFF2*) did not show significant results.

Table 6 Regression of Political Connections (*PCON*) and Family Firms (*FF*) on CSR Activities Disclosure (*CSR**D*)

	<i>CSR</i> <i>D</i>	
	(1)	(2)
<i>PCON</i>	0.082*** (4.48)	0.083*** (4.48)
<i>FF1</i> (ownership)	0.014 (0.44)	
<i>FF2</i> (family member)		0.014 (0.66)
<i>BIG4</i>	0.027 (1.47)	0.028 (1.48)
<i>FIRMSIZE</i>	0.010 (1.26)	0.010 (1.30)
<i>FIRMAGE</i>	0.054*** (3.74)	0.055*** (3.77)
<i>LEVERAGE</i>	-0.208*** (-5.16)	-0.210*** (-5.17)
<i>BOARDSIZE</i>	0.061 (1.62)	0.059 (1.57)
<i>INDCOM</i>	-0.000 (-0.55)	-0.000 (-0.52)
CONSTANT	-0.137 (-0.73)	-0.139 (-0.75)
Year Dummies	Included	Included
Industry Dummies	Included	Included
GRI Dummies	Included	Included
R-Squared	0.407	0.407
Number of Observation	624	624

Significant in 10%, 5%, and 1%.

The R-squared values in the two regression models indicated by specification (1) and specification (2) were 0.417 and 0.409, respectively. It indicates that the regression model could explain the relationship between the independent and dependent variables by 41.7% for specifications (1) and 40.9% for specifications (2). Meanwhile, the rest was explained by other variables not included in this study.

Next, Table 8 shows the additional OLS regression results to determine the relationship between political connections and CSR disclosures. Political connections were detailed again into several categories or classifications as research by Pascual-fuster and Crespí-Cladera (2018). The classification of ***PCON_MPR*** is the classification of political connection with the background of being MPR (*Majelis Permusyawaratan Rakyat*/People's Consultative Assembly); ***PCON_DPR*** is a political connection with the background of DPR (*Dewan Permusyawaratan Rakyat*/House of Representatives; ***PCON_GOVEXP*** is the classification of political connection other than MPR, DPR, Minister, and Military, such as officials at the ministry at the Director-General level; ***PCON_MINISTER*** shows the classification of political connections from ministers; ***PCON_ORG*** indicates the classification of political connections from the background of influential organizations in

Table 7 Regression of the Interaction of Political Connections (*PCON*) and Family Firms (*FF*) on CSR Activities Disclosure (*CSR*)

	<i>CSR</i>	
	(1)	(2)
<i>PCONxFF1</i>	-0.189*** (-3.54)	
<i>PCONxFF2</i>		-0.049 (-1.35)
<i>PCON</i>	0.107*** (5.37)	0.094*** (4.42)
<i>FF1 (ownership)</i>	0.139*** (4.19)	
<i>FF2 (family member)</i>		0.048 (1.63)
<i>BIG4</i>	0.025 (1.35)	0.027 (1.45)
<i>FIRMSIZE</i>	0.012 (1.53)	0.012 (1.52)
<i>FIRMAGE</i>	0.053*** (3.65)	0.054*** (3.72)
<i>LEVERAGE</i>	-0.207*** (-5.15)	-0.212*** (-5.22)
<i>BOARDSIZE</i>	0.059 (1.64)	0.055 (1.48)
<i>INDCOM</i>	-0.000 (-0.47)	-0.000 (-0.47)
CONSTANT	-0.185 (-1.03)	-0.176 (-0.98)
Year Dummies	Included	Included
Industry Dummies	Included	Included
GRI Dummies	Included	Included
R-Squared	0.417	0.409
Number of Observation	624	624

Significant in 10%, 5%, and 1%.

society such as political parties; *PCON_MILITARY* represents the classification of political connections from the background militaries such as the army and police; *SOE* is the classification of the political connections of the government's dominant ownership in company shares. In Table 3, two-family company proxies were utilized, as in Tables 1 and 2. The specification (1-7) used a family company proxy (*FF1*), defining a family company in terms of share ownership by a family of at least 5%. In comparison, the specifications (8-14) used a family company proxy (*FF2*), describing a family company in terms of family management.

Then, specification (3) showed that political connections from government affiliations other than MPR, DPR, Ministers, and Military (*PCON_GOVEXP*) had a significant coefficient of 0.047 at the level of 1% (t=2.84). Specification (5) revealed that the political connection from the organizational background (*PCON_ORG*) had a coefficient of 0.062, significant at the level of 1% (t=3.84). Specification (7) uncovered that the political

connection of the dominant government stock affiliation (**SOE**) had a significant coefficient of 0.078 at the 1% level ($t=3.14$). In addition, specifications (3), (5), and (7) all had the same direction as the combined proxy of political connections, which strengthens the first hypothesis results. In other words, all politically connected parties did not carry out CSR activities disclosure.

Moreover, the specification (10) result exposed that political connections from government affiliations other than MPR, DPR, Ministers, and Military (**PCON_GOVEXP**) had a significant coefficient of 0.048 at the 1% level ($t=2.86$). Specification (12) showed that political connection from the organizational background (**PCON_ORG**) had a significant coefficient of 0.062 at the 1% level ($t=3.83$). Then, specification (14) displayed that the political connection of the dominant government stock affiliation (**SOE**) had a coefficient of 0.079, significant at the 1% level ($t=3.15$). Besides, specifications (10), (12) and (14) all had the same direction as the combined proxies of political connections, reinforcing the first hypothesis results. These results indicate that all politically connected parties did not carry out the CSR activities disclosure.

Table 9 also presents additional OLS regression results for the interaction of political connections with family ownership. In line with Table 3, political connections were detailed again into several categories as researched by Pascual-fuster and Crespi-Cladera (2018). In this table, two-family firm proxies were also used. Then, the specification (1-7) used a family company proxy (**FF1**), defining a family company in terms of share ownership by a family of at least 5%. In comparison, the specifications (8-14) utilized a family company proxy (**FF2**), characterizing a family company in terms of family management.

Furthermore, the specification (7-14) of the interaction of political connections with family firms (**FF2**) exhibited insignificant results. Also, specifications (10), (12), and (14), which did not significantly strengthen the results of the strong influence of family ownership, in the end, reduced the strength of political connections and implied reduced CSR disclosures.

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Table 8 Additional Regression Per Category of Political Connections and Family Firms (FF) on CSR Activities Disclosure (CSRSD)

	CSRSD													
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
<i>PCON_MPR</i>	-0.003 (-0.13)							-0.003 (-0.13)						
<i>PCON_DPR</i>		0.028 (1.14)							0.028 (1.14)					
<i>PCON_GOVEXP</i>			0.047*** (2.84)							0.048*** (2.86)				
<i>PCON_MINISTER</i>				0.008 (0.38)							0.008 (0.38)			
<i>PCON_ORG</i>					0.062*** (3.84)							0.062*** (3.83)		
<i>PCON_MILITARY</i>						0.007 (0.31)							0.007 (0.30)	
<i>SOE</i>							0.078*** (3.14)							0.079*** (3.15)
<i>FF1 (ownership)</i>								0.003 (0.11)	0.006 (0.19)	0.006 (0.21)	0.003 (0.11)	-0.000 (-0.00)	0.004 (0.15)	0.009 (0.32)
<i>FF (family member)</i>	0.001 (0.04)	0.004 (0.19)	0.009 (0.43)	0.001 (0.06)	-0.000 (-0.02)	0.002 (0.12)	0.009 (0.46)							
<i>BIG4</i>	0.021 (1.14)	0.022 (1.17)	0.028 (1.47)	0.022 (1.17)	0.022 (1.20)	0.023 (1.21)	0.029 (1.58)	0.021 (1.14)	0.022 (1.18)	0.028 (1.48)	0.022 (1.17)	0.022 (1.20)	0.023 (1.21)	0.029 (1.59)
<i>FIRMSIZE</i>	0.017** (2.17)	0.017** (2.15)	0.012 (1.43)	0.017** (2.11)	0.012 (1.53)	0.017** (2.16)	0.008 (1.02)	0.017** (2.23)	0.017** (2.20)	0.012 (1.49)	0.017** (2.16)	0.012 (1.57)	0.017** (2.21)	0.008 (1.05)
<i>FIRMAGE</i>	0.051*** (3.53)	0.051*** (3.52)	0.051*** (3.56)	0.051*** (3.53)	0.050*** (3.47)	0.051*** (3.51)	0.042*** (2.88)	0.051*** (3.47)	0.052*** (3.47)	0.052*** (3.57)	0.051*** (3.47)	0.050*** (3.39)	0.051*** (3.47)	0.043*** (2.90)
<i>LEVERAGE</i>	-0.211*** (-5.15)	-0.210*** (-5.20)	-0.200*** (-4.83)	-0.208*** (-5.08)	-0.209*** (-5.28)	-0.208*** (-5.05)	-0.194*** (-4.81)	-0.210*** (-5.12)	-0.210*** (-5.15)	-0.202*** (-4.84)	-0.208*** (-5.02)	-0.208*** (-5.23)	-0.208*** (-5.03)	-0.195*** (-4.79)
<i>BOARDSIZE</i>	0.075** (2.07)	0.074** (2.01)	0.068* (1.83)	0.074** (2.02)	0.059 (1.60)	0.074** (2.01)	0.079** (2.19)	0.076** (2.06)	0.073** (1.99)	0.066* (1.78)	0.074** (2.02)	0.059 (1.59)	0.074** (1.99)	0.078** (2.15)
<i>INDCOM</i>	-0.000 (-0.64)	-0.000 (-0.67)	-0.000 (-0.53)	-0.000 (-0.67)	-0.000 (-0.62)	-0.000 (-0.64)	-0.000 (-0.48)	-0.000 (-0.64)	-0.000 (-0.66)	-0.000 (-0.51)	-0.000 (-0.67)	-0.000 (-0.62)	-0.000 (-0.64)	-0.000 (-0.46)
CONSTANT	-0.319* (-1.72)	-0.307* (-1.66)	-0.172 (-0.90)	-0.305 (-1.64)	-0.142 (-0.76)	-0.314* (-1.69)	-0.054 (-0.27)	-0.316* (-1.75)	-0.306* (-1.69)	-0.176 (-0.94)	-0.302* (-1.67)	-0.141 (-0.77)	-0.311* (-1.72)	-0.054 (-0.28)
Year Dummies	Included													
Industry Dummies	Included													
GRI Dummies	Included													
R-Squared	0.392	0.393	0.399	0.392	0.406	0.392	0.406	0.392	0.393	0.399	0.392	0.406	0.392	0.406
Number of Observation	624	624	624	624	624	624	624	624	624	624	624	624	624	624

Significant in 10%, 5%, and 1%.

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Table 9 Additional Regression of Interaction of Political Connections and Family Firms (FF) on CSR Activities Disclosure (CSR)

	<i>CSR</i>													
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
<i>PCON_MPRxFF</i>	-0.166*** (-3.18)							0.000 (.)						
<i>PCON_DPRxFF</i>		-0.311*** (-5.30)							-0.019 (-0.55)					
<i>PCON_GOVEXPxFF</i>			-0.117** (-2.21)							-0.018 (-0.48)				
<i>PCON_MINISTERxFF</i>				-0.123** (-2.00)							0.005 (0.12)			
<i>PCON_ORGxFF</i>					-0.032 (-0.50)							0.015 (0.38)		
<i>PCON_MILITARYxFF</i>						-0.231*** (-4.34)							0.009 (0.12)	
<i>PCON_MPR</i>	0.003 (0.13)							-0.003 (-0.13)						
<i>PCON_DPR</i>		0.034 (1.38)							0.028 (1.13)					
<i>PCON_GOVEXP</i>			0.059*** (3.28)							0.052*** (2.66)				
<i>PCON_MINISTER</i>				0.015 (0.72)							0.007 (0.31)			
<i>PCON_ORG</i>					0.065*** (3.90)							0.060*** (3.37)		
<i>PCON_MILITARY</i>						0.010 (0.44)							0.007 (0.27)	
<i>SOE</i>							0.078*** (3.14)							0.079*** (3.15)
<i>FF1 (ownership)</i>								0.010 (0.32)	0.012 (0.39)	0.072*** (2.68)	0.017 (0.52)	0.013 (0.48)	0.010 (0.32)	0.009 (0.32)
<i>FF2 (family member)</i>	0.001 (0.04)	0.004 (0.20)	0.018 (0.77)	0.000 (0.02)	-0.007 (-0.31)	0.002 (0.08)	0.009 (0.46)							
<i>BIG4</i>	0.023 (1.22)	0.019 (1.05)	0.027 (1.43)	0.020 (1.05)	0.021 (1.12)	0.024 (1.24)	0.029 (1.58)	0.021 (1.14)	0.022 (1.18)	0.028 (1.47)	0.022 (1.17)	0.022 (1.19)	0.023 (1.21)	0.029 (1.59)

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Table 9 Additional Regression of Interaction of Political Connections and Family Firms (FF) on CSR Activities Disclosure (CSRD) (cont')

	CSRD		CSRD		CSRD		CSRD		CSRD		CSRD		CSRD	
	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
<i>FIRMSIZE</i>	0.018** (2.22)	0.017** (2.12)	0.013 (1.63)	0.017** (2.16)	0.012 (1.55)	0.018** (2.25)	0.008 (1.02)	0.017** (2.23)	0.017** (2.20)	0.012 (1.61)	0.017** (2.15)	0.012 (1.56)	0.017** (2.21)	0.008 (1.05)
<i>FIRMAGE</i>	0.051*** (3.52)	0.049*** (3.34)	0.050*** (3.50)	0.053*** (3.66)	0.049*** (3.50)	0.050*** (3.45)	0.042*** (2.88)	0.051*** (3.47)	0.052*** (3.47)	0.051*** (3.50)	0.051*** (3.40)	0.050*** (3.44)	0.051*** (3.46)	0.043*** (2.90)
<i>LEVERAGE</i>	-0.210*** (-5.13)	-0.211*** (-5.19)	-0.202*** (-4.86)	-0.205*** (-5.00)	-0.208*** (-5.25)	-0.211*** (-5.09)	-0.194*** (-4.81)	-0.210*** (-5.12)	-0.210*** (-5.14)	-0.203*** (-4.86)	-0.208*** (-5.00)	-0.208*** (-5.19)	-0.208*** (-5.02)	-0.195*** (-4.79)
<i>BOARDSIZE</i>	0.068* (1.85)	0.078** (2.13)	0.065* (1.80)	0.070* (1.91)	0.061 (1.63)	0.072* (1.95)	0.079** (2.19)	0.076** (2.06)	0.073** (1.98)	0.064* (1.75)	0.074** (1.98)	0.058 (1.56)	0.074** (1.99)	0.078** (2.15)
<i>INDCOM</i>	-0.000 (-0.63)	-0.000 (-0.69)	-0.000 (-0.50)	-0.000 (-0.63)	-0.000 (-0.60)	-0.000 (-0.63)	-0.000 (-0.48)	-0.000 (-0.64)	-0.000 (-0.66)	-0.000 (-0.51)	-0.000 (-0.67)	-0.000 (-0.64)	-0.000 (-0.64)	-0.000 (-0.46)
CONSTANT	-0.313* (-1.69)	-0.303 (-1.63)	-0.197 (-1.05)	-0.304 (-1.64)	-0.146 (-0.78)	-0.332* (-1.78)	-0.054 (-0.27)	-0.316* (-1.75)	-0.305* (-1.69)	-0.188 (-1.02)	-0.300* (-1.65)	-0.138 (-0.75)	-0.311* (-1.71)	-0.054 (-0.28)
Year Dummies	Included													
Industry Dummies	Included													
GRI Dummies	Included													
R-Squared	0.393	0.396	0.404	0.394	0.407	0.393	0.406	0.392	0.393	0.399	0.392	0.407	0.392	0.406
Number of Observation	624	624	624	624	624	624	624	624	624	624	624	624	624	624

Significant in 0%, 5%, and 1%.

Specification (3) (*PCON_GOVEXPxFF1*) showed that political connections from government affiliations other than MPR, DPR, Ministers, and Military (*PCON_GOVEXP*) interacting with family firms (*FF1*) had a coefficient of -0.117 and was significant at the 1% level (t=2.21). Meanwhile, specifications (5) and (7) revealed insignificant results and explained the strong influence of family ownership, ultimately reducing the strength of political connections and implying reduced CSR disclosures. On the other hand, the specifications (1), (2), (4), and (6) uncovered significance at the 5% and 1% levels; because the initial relationship between the classifications of political connections was not significant, it was difficult to measure their relationship with the company's CSR disclosures.

Next, Table 10 presents the additional OLS regression results to see the CSR activities disclosure of family firms in more detail. In this model, the CSR activities disclosure was divided into four categories: general (**GENERAL**), economic (**ECONOMIC**), environmental (**ENVIRONMENT**), and social (**SOCIAL**). This division is based on the GRI index standard, where four categories are required to be disclosed. The general category (**GENERAL**) requires disclosure of organizational contextual information and sustainability reporting strategies. Next, the economic category (**ECONOMIC**) demands disclosure regarding the impact of an organization's existence on the economic conditions of stakeholders and the local, national, and global economic system. Then, the environmental category (**ENVIRONMENT**) requires disclosure of the impact of services and products produced, environmental costs, and an organization's compliance with environmental and ecosystem sustainability. Finally, the social category (**SOCIAL**) obliges disclosure of the organization's impact on the social system in which the organization operates, including labor practices, human rights, and responsibilities to the surrounding community.

Table 10 Additional Regression of Political Connections (PCON) and Family Firms (FF) on CSR Activity Disclosure Categories

	CSR			
	(1) GENERAL	(2) ECONOMIC	(3) ENVIRONMENT	(4) SOCIAL
<i>PCON</i>	0.061*** (3.10)	0.108*** (4.60)	0.094*** (4.21)	0.327*** (3.96)
<i>FF1 (ownership)</i>	0.013 (0.43)	0.085*** (2.71)	0.061* (1.69)	0.132 (0.96)
<i>BIG4</i>	0.037* (1.78)	0.037* (1.69)	0.063*** (2.81)	0.140* (1.74)
<i>FIRMSIZE</i>	0.007 (0.85)	0.022** (2.27)	0.001 (0.12)	0.054 (1.44)
<i>FIRMAGE</i>	0.049*** (3.56)	0.042** (2.57)	0.059*** (3.40)	0.215*** (3.21)
<i>LEVERAGE</i>	-0.146*** (-3.60)	-0.190*** (-3.84)	-0.270*** (-5.39)	-0.777*** (-4.09)
<i>BOARDSIZE</i>	0.067* (1.70)	-0.034 (-0.77)	0.058 (1.39)	0.096 (0.60)
<i>INDCOM</i>	-0.001 (-1.49)	-0.000 (-0.53)	-0.000 (-0.69)	-0.001 (-0.46)
CONSTANT	0.082 (0.42)	-0.248 (-1.07)	-0.013 (-0.05)	-1.537* (-1.78)
Year Dummies	Included	Included	Included	Included
Industry Dummies	Included	Included	Included	Included
GRI Dummies	Included	Included	Included	Included
R-Squared	0.377	0.231	0.322	0.272
Number of Observation	624	624	624	624

Significant in 10%, 5%, and 1%.

Specifications (1-4) covering general, economic, environmental, and social categories consistently showed significant positive results. For example, specification (1), namely the general category (**GENERAL**), had a coefficient value of 0.061 (t=3.10), significant at the 1% level. Specification (2), the economic category (**ECONOMIC**), had a coefficient value of 0.108 (t=4.60), significant at the 1% level. Then, specification (3), i.e., the environmental

category (**ENVIRONMENT**), had a coefficient value of 0.094 ($t=4.21$), significant at the 1% level. Finally, specification (4), namely the social category (**SOCIAL**), had a coefficient value of 0.327 ($t=3.96$), significant at the 1% level.

In this case, family firms can simultaneously be responsible and not responsible for CSR. Block and Wagner's (2014) research showed that family firms had different performances depending on the CSR aspect or category. This study found that family firms were more involved in disclosing CSR activities in the economic and environmental categories. This result is evidenced by the specification (2), economic category (**ECONOMIC**), revealing a significant coefficient value of 0.085 ($t=2.71$) at the 1% level, and specification (3), environmental category (**ENVIRONMENT**), showing a significant coefficient value of 0.061 ($t=1.69$) in 10% level. On the other hand, specification (1), general category (**GENERAL**), and specification (4), social category (**SOCIAL**) did not show significant results.

Furthermore, the R-squared values in the four regression models indicated by the specifications (1-4) were 0.377, 0.231, 0.322, and 0.272. It indicates that the regression model could explain the relationship between the independent and the dependent variables by 37.7% for specification (1), 23.1% for specification (2), 32.2% for specification (3), and 27.2% for specification (4). Meanwhile, the rest was explained by other variables not included in this study.

Discussion

CSR Activities Disclosure in Firms with Political Connections

In developing countries, the benefits of having political connections may be greater (Li et al., 2016). The benefits of political power underlie firms to create political relations with the government. One way for firms to tie political relations is through CSR activities (Kong et al., 2021). Research by Lin et al. (2015) discovered that when a mayor was replaced, the CSR activities level and propensity increased. It confirms that the firm is trying to maximize its resources through CSR activities to bind itself with the new government.

In addition, when CSR activities are viewed as an instrument to achieve legitimacy, politically connected firms are more likely to report their CSR involvement to gain support from stakeholders (Bianchi et al., 2019). Here, firms with political connections want to show that they operate according to society's expectations. It is because political connections are often associated with reputational concerns from stakeholders. In this regard, CSR reporting can be seen as a communication strategy to gather stakeholder support to reduce the threat of legitimacy. According to the research results by Kuo et al. (2011), firms with political connections were significantly more committed to disclosing their CSR information.

Further, firms connected to the government by ownership have different motivations for CSR activities. State-owned enterprises (SOEs) focus primarily on maximizing profits and the welfare of society (Chang et al., 2015; Liu & Zhang, 2017). However, firms whose share ownership is dominated by the government also play a role as an arm of the government.

The firm helps implement government policies to improve social stability through CSR activities. Dewenter & Malatesta's (2001) research in the United States uncovered that companies with government affiliations made a good contribution to CSR activities related to mitigating unemployment problems, employee safety, security, and various employee career development facilities.

This current study revealed that firms with political connections revealed more of their CSR activities. The results of additional OLS regression analysis confirm these results. Here, politically connected parties with organizational backgrounds, such as political parties, may be motivated to increase CSR to gain ties with the new government, and politically connected parties from SOEs focus their orientation on community welfare through CSR activities. Finally, political connections become an instrument of legitimacy, where companies want to eliminate the bad image of the existence of political connections.

CSR Activities Disclosure in Family Firms

Gómez-Mejía et al. (2007) explained that socio-emotional wealth (SEW) is an extension of the theory of agency behavior, stating that families make decisions within the firm based on expected socio-emotional wealth. Therefore, intergenerational succession and preservation of a good family image will encourage firms to increase CSR activities disclosure. In addition, a good image is often associated with information transparency. For example, information transparency related to environmental and social impacts is vital for firms to build communication and public trust (Li et al., 2019). Transparency also reflects good corporate governance (Al-Hadi et al., 2017).

Moreover, family firms that share business ownership with outsiders (non-family) can develop a short-term orientation that benefits themselves (Biswas, Roberts, & Whiting, 2019). By controlling the firm's shareholding, the family has the option not to respond to the CSR requests of minority stakeholders. It, in turn, will potentially lead to information asymmetry between the majority (family) and minority (non-family) shareholders. Reinforced family control from the firm's management side also gives families emotional and reputational incentives to exert influence and oversee decisions (De Massis et al., 2014). However, the research has not provided a specific description of how the family influenced CSR disclosure activities. The results of this study are supported by previous research conducted by Gusrianti et al. (2020), which also found insignificant results.

This study also examined the CSR disclosure behavior of family firms from each CSR disclosure category. In line with Block and Wagner (2014), family firms could simultaneously be responsible and not responsible for CSR. The results showed that firms disclosed more of their CSR activities on economic and environmental aspects. This behavior was triggered by the response of stakeholders, where these two aspects received more responses, so the family firm tried to maintain its positive image by disclosing more information on both aspects.

CSR Activities Disclosure in Family Firms with Political Connections

In this study, CSR activities disclosure in firms with political connections and family firms has a different pattern. Although firms with political connections disclosed more of their CSR activities, family firms disclosed less of their CSR activities. This study indicates that the CSR activities disclosure was carried out by political connections, while it decreased in family firms. The effect of family ownership is allegedly weakening the CSR activities disclosure. The research by Cuadrado-Ballesteros, Rodríguez-Ariza, & García-Sánchez (2015) revealed that the effect of strong family ownership could eliminate director independence. In contrast, the presence of non-family directors should bring a more open attitude towards CSR reporting. It is because independent directors may be strongly influenced by family owners and personal ties or closeness. In this study, the family might have influenced the political connections. However, political connections could not put sufficient pressure on management to increase the CSR reporting level because of their minority position in the firm's management. This result is reinforced by an additional OLS regression analysis dividing political connections based on several background categories. The results signify that the presence of politically connected parties could not increase the CSR activities disclosure of family firms.

Conclusion

This study aimed to examine the relationship between political connections and family ownership toward CSR activities disclosure. This study employed 624 Indonesian public companies on the Global Reporting Initiative (GRI) list for 2010-2018. The researchers also utilized OLS (Ordinary Least Squares) regression by considering the fixed effect diversity of industry, year, and type of GRI to examine the relationship between political connections and family ownership on CSR disclosure.

This study found that firms with political connections revealed more CSR activities. Political connections were driven to be more involved in CSR activities for several reasons: the desire to bind themselves to the government, legitimacy instruments, and social motivation. Various categories of political connections have represented this argument. In terms of reporting, the desire to remove the negative stigma of political connections underlies higher disclosure. In addition, political connections wanted to show that they operated according to society's expectations.

In family firms, involvement in CSR activities is mainly based on the desire to protect the image and good reputation. It can be seen from how family firms chose to be involved in certain categories of CSR activities, which looked at the economic and environmental categories in this study. In this case, family firms may care or vice versa. Here, the dominance of the firm's shareholding control causes families to have the option not to respond to the CSR requests of minority stakeholders. Family firms can also sacrifice reporting in the name of resource efficiency. This study has not found significant results to support one view related to family firms' involvement in the disclosure of CSR activities. Therefore, future research may be needed to dig deeper into this relationship by involving

different or more detailed family proxies.

This study further highlighted political connections within family firms and their relation to disclosing CSR activities that have not been discussed in the previous literature. The effect of strong family ownership ultimately weakened CSR disclosure activities. The dominance of family ownership made them able to influence all firm decision-making. Yet, political connections, which were minorities, could not put sufficient pressure on management to increase the CSR reporting level. Relationships based on personal closeness or intimacy between political connections and family firms also caused politically connected parties to be more obedient to family decisions. This close relationship between political and family connections can be one interesting thing to investigate.

Moreover, this research provides practical and theoretical implications. Theoretically, this research is expected to contribute to the development of scientific literature in the accounting field, especially related to political connections, family ownership, and CSR activities disclosure. In addition, research on political connections within companies in Indonesia is still very limited. This study is the first to link family companies' political connections to the company's CSR activities disclosure. Practically, this research can be a source of information for companies and investors. This research is also expected to provide information related to the disclosure of CSR activities by companies that have political connections or are dominated by families. For regulators and institutions' ratings, this research is expected to provide insight into the existence of political connections and family companies in responding to the regulations they set so that existing regulations can be improved.

This study has several limitations, including in terms of proxy of political connections that might require adjustment to research outside Indonesia because the definition of political connections used was also based on local regulations, namely BI's PEP (politically exposed person) in 2010. Second, family affiliations in Indonesia were inconsistently disclosed in the annual report, so the use of surnames was not yet fully effective. Some companies might disclose more of these affiliations this year and less in the following year or vice versa. Hence, future studies need to involve different or more detailed family proxies.

Appendix

Table A1 Operational Variable Definition

No	Variable	Definition	Measurement	Data Source
Dependent Variable				
Disclosure of CSR Activities (Corporate Social Responsibility Disclosure)				
1.	CSR	CSR Disclosure	The sustainability report's average disclosure of CSR activities is based on the GRI index (Nekhili et al., 2017).	Sustainability and Annual Reports

Table A1 Operational Variable Definition (cont')

No	Variable	Definition	Measurement	Data Source
Independent Variables				
1.	PCON	Political Connection	The dummy variable for political connections is assigned a value of 1 for firms with political connections and a value of 0 for firms without political connections (Pascual-fuster & Crespi-Cladera, 2018).	Financial and Annual Report
2.	FF	Family Firm	The dummy variable for the type of firm is assigned a value of 1 for family firms and 0 for non-family firms (Berrone et al., 2010).	ICMD
Control Variables				
1.	BIG4	Big 4 Auditor Firm	A dummy variable is for a public accounting firm that audits the company. If the company is audited by the world's top 4 public accounting firms, it is given 1 (E&Y, Deloitte, KPMG, PWC) and 0 if other public accounting firms audit the company.	Financial Report
2.	FIRMSIZE	Firm Size	Natural logarithm of the firm's total assets	Financial Report
3.	FIRMAGE	Firm Age	Natural logarithm of the company's age (calculated from the year the company was founded)	Financial Report
4.	LEVERAGE	Leverage	Total liabilities/total asset	Financial Report
5.	BOARDSIZE	Board Size	Natural logarithm of the number of commissioners and directors of the company	Financial Report
6.	INDCOM	Independence Commissioner	Percentage of independent commissioners per total commissioners	Financial Report
7.	YEAR	Year Fix Effect	2010-2018	Financial Report
8.	INDUSTRY	Industry Fix Effect	SIC Primary code 1-7	Financial Report
9.	GRI	GRI Type Fix Effect	G3.0, G3.1, G4, GS	Sustainability Report
11.	ε	Error Term		

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