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The Role of Corporate Social Responsibility in the Investment Efficiency: Is It Important?*

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Abstract

This research aims to test, firstly, how the disclosure of corporate social responsibility (CSR) helps to moderate the effect of family ownership on investment efficiency; secondly, how CSR disclosures mediate the effect of corporate governance on investment efficiency. STATA was used to analyze archival data collected from a total sample of 210 manufacturing companies listed on the Indonesian Stock Exchange (IDX), which were in the family businesses category for the period of 2016-2018. The first finding is that CSR moderates the effect of family ownership on investment efficiency. This implies that family businesses are very careful about investing. They will avoid risky decisions that may increase the economic wealth, but reduce the socio-emotional wealth. To maintain socio-emotional wealth, they tend to choose an underinvestment strategy and are more concerned with the prestige and good reputation of their families and dynasties than with economic wealth. Thus, CSR disclosures can reduce the underinvestment strategy of family businesses listed on the IDX. The second finding is that CSR disclosures are able to mediate the effect of corporate governance on investment efficiency. CSR activities play a major role in decision-making, and through CSR disclosures, corporate governance has a greater effect on investment efficiency.

Keywords: Investment Efficiency, Corporate Governance, Corporate Social Responsibility, Family Firm

JEL Classification Code: G11, G32, G34, M14

1. Introduction

Investment efficiency is an urgent issue for Indonesia, considering that investment efficiency in Indonesia falls into the poor category when compared to the average investment efficiency in the other ASEAN countries. Based on National Development Planning Agency, in 2019, the incremental capital output ratio (ICOR) in Indonesia was still above 6%, while other ASEAN countries ranged from 3% to 4%. The higher the ICOR, the lower the level of investment efficiency. Solving the problem of investment efficiency is very important, considering the efficiency of corporate investments make a major contribution to a country's economic growth (Jin & Yu, 2018).

One of the driving forces for companies to invest is the existence of investment opportunities with positive net present value (NPV) and they will continue to invest to a marginal limit (Chen, Hope, Li, and Wang, 2011). In practice however, firms may face some financial constraints that limit the ability of managers to conduct all the projects with a positive NPV. This causes a deviation from the company's optimal investment, which will result in overinvestment or underinvestment.

According to the Indonesian Institute for Corporate and Directorship (IICD), most companies in Indonesia are family business enterprises, which are companies that are controlled by families, and they play an important role in the economy (Hanazaki & Liu, 2007). In the family system, there are value factors and family culture that are a source

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of pride, and show a strong identification and commitment (Baur, 2014). The next generation is obliged to uphold and understand the values passed down by the previous generations (Dinh & Calabrò, 2019). Investment choices and decisions are influenced by those who control the company (Liu et al., 2018; Shahzad, Rehman, Colombage, & Nawaz, 2018). Decision-making in family enterprises is unique, which can be explained by the socio-emotional wealth approach. According to the approach toward this socio-emotional wealth, the socio-emotional relationships in family businesses are given a higher priority in the decision-making process (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2012; Saito & Takuji, 2008; Tsao, Chang, & Koh, 2019).

Maintaining the success of the family dynasty is a motivating factor to be more responsible for the environment. Corporate social responsibility (CSR) activities strengthen a company's relationship with its environment. Family companies consider that investing in CSR will bring them long-term financial benefits (Gomez-Mejia, Cruz, & Imperatore, 2014; Lamb & Butler, 2018). CSR disclosures are an important aspect, and a form of corporate responsibility to the stakeholders (P, Subroto, T, & Saraswati, 2020). Companies have to consider all the relevant stakeholders' interests, not only by focusing on economic factors but also on the social and environmental factors. The increasing interest of companies in managing their businesses with attention to their stakeholders' needs will encourage companies to disclose more in their CSR reports. Investing in CSR can be considered as an effective way to increase investment efficiency (Cabeza-García et al., 2017; Tangngisalu, Mappamiring, Andayani, Yusuf, & Putra, 2020).

CSR activities are a company's effort to gain, maintain or regain legitimacy from the community. The legitimacy of the community, as stakeholders, is as important as other resources for the sustainability of the company (Fernando & Lawrence, 2014). Harmonization of the various stakeholders' interests is needed to create value for the company and the community. The company's activities and responsibilities that have an impact on the environment must be disclosed to its stakeholders. Additional information, in the form of its CSR activities that are not listed in the financial reports, will be able to increase the investment efficiency (Shahzad et al., 2018; Zhong & Gao, 2017).

To ensure that companies operate using resources effectively and efficiently, good external and internal mechanisms are needed. External mechanisms guarantee the stakeholders rights, including corporate responsibility for environmental sustainability (Garas & ElMassah, 2018). Internal mechanisms emphasize transparency, which encourages companies to present high quality financial information. A higher quality of information facilitates greater transparency and greater concern for the issues relevant to the stakeholders. The information needed by stakeholders, which may not be available in the financial reports, can be facilitated in the company's CSR disclosures (Martinez-Ferrero, Rodriguez-Ariza, & Cuadrado-Ballesteros, 2015). Corporate disclosure is one of the most fundamental elements that contribute to corporate governance (Khanifah, Hardiningsih, Darmaryantiko, Iryantik, & Udin, 2020). Adequate company disclosures will affect the quality of the investment decisions, and then corporate governance affects investment efficiency (Chen et al., 2017; Cheung, Jiang, & Tan, 2010; Nor, Nawawi, & Salin, 2017; Pradhan et al., 2018).

The complexity of the issue of investment efficiency is a fundamental problem for companies, and it needs to be solved. The existence of a research gap in studies into the factors that influence investment efficiency is crucially in need of further investigation, given the rapidly developing global conditions that require companies to make more valid and correct decisions. This research will examine whether CSR disclosures moderate the influence of family ownership on the investment efficiency and whether the disclosure of CSR mediates the effect of corporate governance on investment efficiency.

2. Literature Review

2.1. CSR Disclosure, Family Ownership, and Investment Efficiency

The preservation of socio-emotional wealth is crucial in family enterprises. Based on the perspective of socio-emotional wealth, companies with family ownership conserve their socio-emotional wealth to pass it and the business on to the next generation (Gomez - Mejia et al., 2000). Companies with family ownership have control over the company's investment activities and this affects investment efficiency (Gao, Li, & Huang, 2017; Shahzad et al., 2018, 2019). Jain and Shao (2014) found that family firms tend to choose an underinvestment strategy. The involvement of family members, and the family's control over the company's policy mechanisms affect investment in the company, resulting in overinvestment and underinvestment.

In accordance with the perspective of the socio-emotional wealth theory, implementing this socio-emotional wealth causes companies with family ownership to tend to hold dividends in order to have an opportunity to invest. Companies with family ownership and family involvement in them cause a strategic alignment to form, to preserve the socio-emotional wealth. Socio-emotional wealth shows that a family company is "loss averse" when it comes to non-economic problems for the preservation of the family dynasty. For the sake of family prestige or honor, the company will make risky decisions to maintain its socio-emotional wealth, even at the expense of economic wealth. Similarly, they will avoid risky decisions that may increase the economic wealth but reduced the socio-emotional wealth (Tsao, et al., 2017). Family companies also prioritize internal funding sources and tend to choose an underinvestment approach, despite its negative impact on investment efficiency (Jain & Shao, 2014; Lin, Wang, & Pan, 2016).

The presence of the family in the company will influence the company's policies, including its policies on CSR disclosures (Lamb & Butler, 2018). CSR disclosures are one way for companies to satisfy their corporate stakeholders. Likewise, external stakeholders, and the environment as a whole, can affect an organization's CSR disclosures. Family companies show more concern for the environment (Berrone et al., 2010), focus more on prevention and use conservative strategies (Deephouse & Jaskiewicz, 2013). Lamb and Butler (2018) examined the effect of family ownership on CSR's performance. They found that companies with family ownership were able to increase the strength of their CSR. The presence of a family CEO can increase the strength of CSR. For social wealth purposes, family companies in the United States are more interested in CSR activities.

Alternative CSR steps are alternative steps for investment efficiency, considering that previous research into the effect of family ownership on investment efficiency had shown inconsistent results (Jain & Shao, 2014; Shahzad et al., 2019). Companies can identify the components of CSR that are most important for improving their investment efficiency (Cook, Romi, Sánchez, D., & Sánchez, 2019), so that CSR is expected to weaken the negative influence of family ownership on investment efficiency. From the previous theory and research, the following hypothesis is formulated:

H_1**:** *CSR disclosure weakens the negative effect of family ownership on investment efficiency*

2.2. CSR disclosures, Corporate Governance, and Investment Efficiency

The perspective of the stakeholder theory shows that managers need to network to achieve their company's goals. Good governance will produce a good relationship pattern between management and the stakeholders to optimize company value. The availability of information for the stakeholders can be achieved through the disclosure of company information, which in turn will affect the quality of its investment decisions (Cheung et al., 2010).

Investment efficiency is the main step for optimizing company value. Disclosure is an important process in realizing good governance, which in turn will affect company efficiency and performance (Bansal & Sharma, 2016). This is supported by (Jin & Yu, 2018) who conducted research in China and found that governance had a positive effect on investment efficiency.

(Pradhan et al., 2018), who conducted research in Nepal, found that governance had a positive effect on efficiency. This relationship was based on ethics, the corporate culture there and supported by the system, with the aim of increasing corporate value. Corporate governance is important in determining investment efficiency, which shows how well companies invest their assets (Chen et al., 2017; Nor et al., 2017; Vijayakumaran & Vijayakumaran, 2019).

The relationship between governance and CSR has a clear concept: companies have a direct responsibility to their stakeholders and together they must maintain or add value to the company. The relationship between corporate governance and CSR can be seen from three points of view. First, governance can be seen as a prerequisite for CSR's sustainability. Second, CSR disclosures are seen as a dimension of corporate governance. Third, corporate governance and CSR are complementary components of corporate accountability to the stakeholders (Garas & ElMassah, 2018; Huynh, 2020). Corporate governance mechanisms have an impact on CSR's disclosure practices; this shows that the attributes of corporate governance play an important role in ensuring organizational legitimacy through the CSR disclosures. CSR, as carried out by companies, is also one way to gain legitimacy from the community. According to the legitimacy theory, a company operates in accordance with the boundaries and norms that apply to society, and the community gets benefits from the company. Through its CSR activities a company will gain or maintain its legitimacy. CSR activities are influenced by corporate governance which plays a role in ensuring organizational legitimacy through CSR disclosures (Khan, Muttakin, & Siddiqui, 2013).

In accordance with the stakeholder theory, a company operates in the interests of its stakeholders, both the internal stakeholders and the external ones. Corporate governance is an important pillar of CSR's implementation, and encourages CSR's disclosure practices in developing countries (El-Bassiouny & El-Bassiouny, 2019; Jahid, Rashid, Hossain, Haryono, & Jatmiko, 2020; Khan et al., 2013).

One of the fundamental things about governance is the disclosure of company information. Some regulations may require companies to disclose non-financial information, including corporate governance practices. More voluntary disclosures will increase a company's transparency and reduce information asymmetry. These disclosures are important for making better investment decisions (Cheung et al., 2010).

The company's CSR activities are a form of value creation for society. Zhong and Gao (2017) examined the effect of CSR disclosures on investment efficiency and the positive relationship between CSR disclosures and investment efficiency. Mandatory CSR disclosures are able to reduce the advantages and disadvantages of investment. The result is that CSR disclosures have had a positive effect on investment efficiency in China (Dhaliwal, Radhakrishnan, Tsang, & Yang, 2012; Hung, Shi, & Wang, 2013; Samet & Jarboui, 2017). Based on the previous theories and research, the following hypothesis is formulated:

H*₂*: CSR disclosures mediate the effect of corporate governance on investment efficiency

3. Research Methods and Materials

3.1. Research Design

The population of this research was manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2016 to 2018. Manufacturing companies were chosen since they have a homogeneous business process and form the largest industrial group on the IDX. The research sample was family business enterprises, which are included in the manufacturing industry group. The sampling technique used was a purposive sampling method. The conceptual framework of this study is presented in Figure 1.

3.2. Measurement of Variables

Investment efficiency in this study was measured by calculating the absolute residuals (Li & Liao, 2014; Shahzad et al., 2018, 2019). The absolute residual is a deviation or error from the optimal level of investment and the expected level of investment. Positive residuals represent investments in projects with a negative NPV (overinvestment), while negative residuals represent companies that do not invest in positive NPV projects (underinvestment). Next, the absolute residual is multiplied by −1. A higher absolute value for the residual means greater investment efficiency, and vice versa. The investment efficiency formula is as follows:

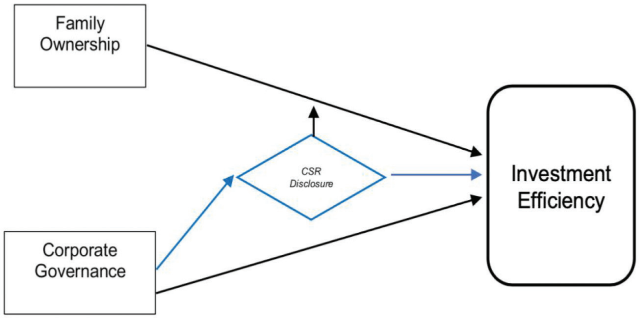

Figure 1: Conceptual Framework

$$Investment_{i,t} = \beta_0 + \beta_1 Sales\ Growth_{i,t-1} + \varepsilon_{i,t} \qquad (1)$$

Note:

$Investment_{i,t}$ = total investment of the company in the year *t*

$Sales\ Growth_{i,t-1}$ = change in company sales in year *t* compared to year (t–1).

Family ownership in this study was measured by the average proportion of families who are members of the board of commissioners and directors of the company (Shahzad et al., 2019). Corporate governance in this study was measured by the disclosures presented by the company in the company's governance report or annual report. By using the Indonesia Corporate Governance Manual 2018, the disclosure score of each company was calculated for each observation year. There are nine principles for disclosing material information recommended by best practices from the Organization for Economic Co-operation and Development (OECD), which were used as the basis for determining the value of the minimum disclosure score presented by each company. Companies that do not present the minimum disclosure were given a score of 1; companies with disclosures that meet the minimum compliance standard were given a score of 2; while companies that exceed the minimum requirements were given a score of 3. So, companies with better quality disclosure practices had higher scores (Cheung et al., 2010).

CSR reporting was measured using the disclosure quality models in (Raar, 2002). For the quality component of CSR disclosures, this ranged from "1" to "7." Quality of disclosure 1 = monetary, namely, disclosure in monetary units; 2 = nonmonetary, namely disclosure in numerical units such as weight, volume, size and others, but not financial; 3 = qualitative only, namely, disclosure only in a descriptive manner; 4 = qualitative and monetary, namely, disclosure in the form of a description and monetary units ; 5 = qualitative and non-monetary, namely disclosure in the form of a description and non-monetary units (numeric); 6 = monetary and non-monetary, namely, disclosure in monetary and non-monetary units (numeric); 7 = qualitative, monetary and non-monetary, namely, disclosure in a descriptive manner, monetary and non-monetary units (numeric).

3.3. Data Analysis

This study used panel data, namely, secondary data or archival analysis, which was then processed with the help of STATA software. The data in this study were obtained through financial reports, the annual reports (AR) and the sustainability reports (SR) of the companies, issued between 2016 to 2018, and obtained from the IDX through TICMI (The Indonesian Capital Market Institute) or downloaded from the IDX website (www. idx.co.id, http://database.globalreporting.org), the Family Business Survey-Indonesian Report*,* www.forbesindonesia.com and the issuers' websites.

4. Results and Discussion

Table 1 shows the results of the research variable's descriptive statistics, which provide an overview of the data in this study.

This study used a sample of 210 family business enterprises, with a three-year observation period. The results of the descriptive statistics showed that family ownership, as measured by the family members who occupied the positions of director or commissioner in the companies, was at its lowest at 7%, and highest at 75%, with an average of 44%. This shows that the involvement of family members in the companies was quite large, for public companies. The average value of corporate governance was 2.30, meaning that the average company disclosed more than the minimum required (best practice) based on the OECD principle. Meanwhile, for the disclosure of corporate social responsibility the lowest score was one and the highest was five, with an average of 3.26, meaning that the disclosure of corporate social responsibility was still low.

4.1. Hypothesis 1 Test: CSR Disclosure Weakens the Negative Effect of Family Ownership on Investment Efficiency

Table 2 presents the analysis of the result and the testing of the first hypothesis. The hypothesis test for the effect of family ownership (FO) on investment efficiency (IE) produced a t-value of -2.25 with the probability being equal to 0.024; this means that there was a significant effect on investment efficiency (α = 5 percent). The regression coefficient of family ownership's influence on the investment efficiency of -1,943.63 showed family ownership's negative effect on investment efficiency, by the following equation:

$$I\,E = -126.88 - 1{,}943.63\ FO$$

Testing the disclosure of CSR on investment efficiency resulted in a t-count of 4.20 with a probability of 0.000. The regression coefficient effect of the disclosure of CSR on the efficiency of an investment of 370.45 indicated that the disclosure of CSR had a positive influence on investment efficiency.

During the moderation hypothesis testing, interaction with the family ownership's disclosure of CSR on investment efficiency yielded a t-value of 2.52 with a probability equal to 0.012. The effect of CSR was declared to be insignificant on investment efficiency, meaning that CSR was a pure moderator of the effect of family ownership on investment efficiency. The regression coefficient interaction effects of family ownership with the disclosure of CSR on the efficiency of an investment of 972.34 indicated interaction with CSR disclosures had a positive influence on investment efficiency; while the family's ownership had a negative effect on investment efficiency. This showed that CSR disclosures weakened the negative effect of family ownership on investment efficiency. This is seen in the following equation:

$$\begin{aligned} I\,E = &-59.60 - 4815.75\ FO - 43.66\ CSR \\ &+ 972.34\ FO * CSR \end{aligned}$$

4.2. Hypothesis 2 Test: CSR Disclosures Mediate the Effect of Corporate Governance on Investment Efficiency

The regression coefficient of corporate governance's influence on investment efficiency of 20.44 showed corporate governance had a positive influence on investment efficiency, with a t-value of 0.14 and a probability of 0.892. The effect of corporate governance on investment efficiency was not significant (α = 5 percent). The relationship between governance, CSR disclosure and investment efficiency are presented in Table 3.

Testing the effect of CSR disclosures on investment efficiency resulted in a t-count of 4.11 with a probability of 0.000. This meant that there was a partial and significant effect of CSR on investment efficiency. The regression coefficient effect of CSR disclosures on the efficiency of an investment of 377.37 indicated CSR had a positive influence on investment efficiency. This is seen in the following equation:

$$I\,E = -2{,}249.77 + 20.44\ CG + 377.37\ CSR$$

Table 1: Descriptive Statistics (n=210)

Variable	Minimum	Maximum	Mean	Stan. Deviation
Investment Efficiency	-22,163.531	-7.48668	-971.799	2,292.391
Family Ownership	0.071	0.75000	0.43512	0.21339
Corporate Governance	1	3	2.30	0.94363
Corporate Social Responsibility	1	5	3.26	1.67531

Table 2: Relationship of Family Ownership, Corporate Social Responsibility, and Investment Efficiency

Independent Variable	Coefficient	Statistic	Prob	Chi Sq	Prob
Family Ownership	-1,943.63	-2.25	0.024	5.060	0.025
Constant	-126.88	-0.29	0.768		
Family Ownership	-1,779.56	-2.19	0.028	23.980	0.000
CSR	370.45	4.20	0.000		
Constant	-1,406.56	-2.76	0.006		
Family Ownership	-4,815.75	-3.34	0.001	31.600	0.000
CSR	-43.66	-0.23	0.816		
Family Ownership *CSR	972.34	2.52	0.012		
Constant	-59.60	-0.08	0.935		

Table 3: Relationship between Corporate Governance, CSR Disclosure, and Investment Efficiency

Independent Variable	Coefficient	Statistic	Prob	Chi Sq	Prob
Corporate Governance & CSR	0.42	3.74	0.000	14.020	0.000
Constant	2.31	7.86	0.000		
Corporate Governance	20.44	0.14	0.892	18.330	0.000
CSR	377.37	4.11	0.000		
Constant	-2,249.77	-5.06	0.000		

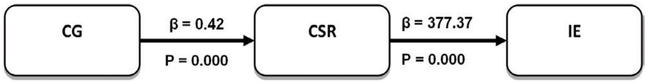

Figure 2: Corporate Governance, Corporate Social Responsibility, and Investment Efficiency

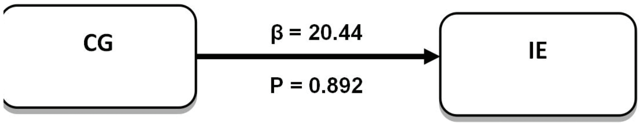

Figure 3: Corporate Governance and Investment Efficiency

The mediation effect was used to determine whether there was an effect of the mediating variable on the effect of corporate governance on investment efficiency, as presented in Figure 2.

Based on Figure 2, it is known that the effect of corporate governance on investment efficiency through CSR disclosures produces a significant path coefficient, and the effect of CSR disclosures on investment efficiency produces a significant path coefficient. Because these two pathways are significant, CSR disclosures are able to mediate the effect of corporate governance on investment efficiency.

The results of testing the effect of corporate governance on investment efficiency are presented in Figure 3. This picture informs that the effect of corporate governance on investment efficiency results in an insignificant path coefficient. This means that CSR is a variable that can fully mediate (full mediation) the impact of corporate governance on investment efficiency.

4.3. Family Ownership, Corporate Social Responsibility, and Investment Efficiency

In this study, family ownership had a negative effect on investment efficiency. In accordance with the socio-emotional wealth theory, firms with family ownership tend to be more cautious in making investment decisions, to maintain their socio-emotional wealth (Berrone et al., 2012; Gomez-Mejia et al., 2011). This pushes family companies into a position of underinvestment. If faced with a choice, the family company would prefer socio-emotional wealth over economic benefits. The family's name, reputation, company image, and prestige are all important considerations when making investment decisions. Keeping and maintaining the family dynasty becomes the duty of every member of the family (Baur, 2014; Tagiuri & Davis, 1996). The involvement of family members in strategic positions, as directors and commissioners, greatly determines the direction and investment policies of the company. This result supports the research results of (Jain & Shao, 2014), who found that family ownership had negative impacts on investment efficiency, and tended to cause them to overinvest or underinvest. Family companies tend to choose overinvestment in capital spending and underinvestment in acquisition expenses.

Family companies are sensitive to the environment and moved to conduct social activities to maintain their reputation and family dynasties (Izzo & Ciaburri, 2018). The family's identity motivates the family members to pursue a better reputation, thus contributing to their socio-emotional wealth (Deephouse & Jaskiewicz, 2013). The family's reputation shows the stakeholders trust the company to meet their expectations. For socio-emotional wealth purposes, a company may carry a short-term cost to its reputation, but in the long term its reputation will benefit and contribute to the wealth and continuity of the family company. This is what makes family companies avoid the risk of losing their socio-emotional wealth. A good reputation will make their employees, customers, communities, and stakeholders more loyal to the company. A favorable reputation is a valuable resource, which in turn leads to better financial performance.

To protect their socio-emotional wealth, family companies prioritize internal sources of funds and tend to underinvest (Lin et al., 2016). Jain and Shao (2014) found that family ownership had a negative impact on investment efficiency. Considerations of socio-emotional wealth appear more clearly in the presence of family members, as they are the policy makers in the company and determine the direction and policies of the company (Tagiuri & Davis, 1996).

This study found family ownership had a positive effect on CSR disclosures. This finding is consistent with the findings of (Aerts, Cormier, & Magnan, 2008), that there is a symbiotic relationship between CSR disclosures and managements' decision-making. Management respects CSR disclosures because they affect the company's finances. Companies with higher CSR performance invest more efficiently. A company's CSR activities lead to widespread stakeholder monitoring of the company. This causes the company to avoid negative NPV projects so as not to overinvest and not to let go of the positive NPV projects that cause underinvestment. Companies with higher CSR performance generate higher investment efficiency (Cook et al., 2019). Although CSR in this study was not able to moderate the influence of family ownership on investment efficiency, the presence of CSR was able to weaken the negative influence on investment efficiency. This may have occurred because most companies disclose their CSR activities voluntarily. The absence of a policy from the IDX regarding the obligation of public manufacturing companies to make mandatory CSR disclosure reports has resulted in companies not being motivated to carry out their CSR activities to the maximum.

4.4. CSR Disclosure Mediates the Effect of Corporate Governance on Investment Efficiency

This study proved that CSR disclosure mediated the effect of corporate governance on investment efficiency. This proves that CSR disclosure is important for investors and investment decision-makers at the IDX. Through CSR disclosures, corporate governance has a greater effect on investment efficiency. The disclosure of company information, to both internal and external stakeholders, is an important element that contributes to a company's governance. Sufficient available information, which minimizes information asymmetry, allows investors to assess the company's performance. There are two types of disclosure, voluntary and mandatory. Greater voluntary disclosure will increase a company's transparency and reduce information asymmetry between the internal and external stakeholders (Cheung et al., 2010).

The results of this study are consistent with the findings of (Samet & Jarboui, 2017) who found that companies with high CSR performance invest more efficiently. In underinvesting companies, CSR disclosures are able to increase the level of investment through information asymmetry. Conversely, for overinvesting companies, CSR performance reduces the investment excesses. CSR plays a role in improving investment efficiency and indirectly helps companies overcome the problem of information asymmetry. The positive relationship between CSR performance and investment efficiency shows that implementing a CSR strategy is an effective way to encourage company growth and protect the stakeholders' interests. A company's CSR activities can create a competitive advantage for the company, while concern for the environment and the company's security can be integrated into its business, such as occupational health and safety, human rights, pollution reduction and others.

The demands of stakeholders for a transparent and accountable business environment, as a result of companies' business activities, are increasing. CSR is an effort to balance economic, social, and environmental goals while still paying attention to the shareholders' and stakeholders' expectations. Company managers face the challenge of adopting responsible business practices. CSR, as an implication of stakeholder approach, is one of the implementations of good corporate governance. CSR disclosures have the potential to increase the shareholders' wealth and can be considered as one element of good corporate governance. Stakeholders and CSR are two concepts that see the same business problem from different points of view (Freeman & Dmytriyev, 2017). The concepts of the stakeholder theory and CSR are very similar; they both emphasize the importance of incorporating community interests into a business's operations. The stakeholder theory places business responsibility as the main responsibility and the responsibility to society is one of the other responsibilities. CSR and the stakeholder theory are interrelated, CSR is a part of the corporate responsibility companies have to all their stakeholders. In particular, companies must be driven by the goal of creating value for all their shareholders and stakeholders, as they depend on each other. So, the stakeholder theory can explain CSR in terms of investment efficiency in various ways. The results of this study supported the research results of (Benlemlih & Bitar, 2018) who stated that high CSR disclosures reduce investment inefficiency and improve investment efficiency accordingly. High CSR disclosures will suppress information asymmetry and increase stakeholders' loyalty, in accordance with the stakeholder theory. CSR elements that are directly related to a company's main stakeholders such as its employee relations, product characteristics, and the environment are more relevant for reducing investment inefficiencies. CSR has an important role in the efficiency of the company's investments.

The results of this study also support the legitimacy theory, which states that a company's operations are congruent with the values that exist in society. There is a match between something that is given by the community and what is needed by the company from the community (Omran & Ramdhony, 2015). Legitimacy is a company management system that is oriented toward taking sides with the community (society). This theory suggests that a company's operations can be accepted by the community, and thus gain legitimacy. The legitimacy strategy can be achieved through disclosures in the CSR reports. Companies tend to express positive CSR activities; this shows that through their CSR disclosures, companies try to communicate their legitimate actions. In the legitimacy theory, a company's motivation to gain legitimacy through its CSR activities is predicted to improve the company's image (Fernando & Lawrence, 2014).

This study supports the results of research conducted by (Khan et al., 2013) in Bangladesh, which found a strong relationship between corporate governance and CSR disclosure. CSR's disclosure was affected by the choice, motives and values of the parties who formulated and made decisions within the organization. Corporate governance mechanisms were used as a consideration in the decision-making process. Corporate governance has often been adopted for the purpose of obtaining legitimacy. CSR disclosures have been needed to eliminate the threats to, or concerns about, the legitimacy of an organization. Therefore, the relationship between corporate governance and CSR is very strong. This research's result is also consistent with the research conducted by (Zhong & Gao, 2017), who found CSR disclosures affected investment efficiency, and could contribute to reducing the problem of information asymmetry. CSR disclosures create and encourage companies to invest in the environment. A company is obliged to carry out environmental protection activities to meet its stakeholders' demands. This shows that CSR disclosures play an important role in reducing information asymmetry and improving investment efficiency. The effect of governance on investment efficiency is greater through CSR disclosures.

5. Conclusions

There are two conclusions obtained from this study. First, CSR disclosures are able to play a role in the effect family ownership has on investment efficiency in family business enterprises. According to the socio-emotional wealth theory, family companies tend to choose an underinvestment strategy to maintain the family dynasties. Family business enterprises prefer socio-emotional wealth such as their prestige, reputation and family dynasties over economic wealth. This is what causes family companies to be very careful and cautious, which tends to lead to them to underinvest. Due to the conditions for investment efficiency in Indonesia being similar to those of a family run business, the average investment efficiency in Indonesia is still below the average investment efficiency in other ASEAN countries.

Second, CSR disclosures mediate the effect of corporate governance on investment efficiency in family business enterprises in Indonesia. The effect of governance on investment efficiency is greater through CSR disclosures. CSR disclosures are an important element of corporate governance. Corporate governance and CSR disclosures are a way to create value for shareholders and stakeholders. CSR activities are also a way to gain legitimacy from the stakeholders. High CSR disclosures will reduce the problem of information asymmetry, which in turn will improve the quality of the investment decisions. The influence of corporate governance on investment efficiency is greater through the disclosure of a company's CSR activities.

The problem of investment efficiency is a complex problem, which has not been widely studied, so there are still many opportunities for further research. In Indonesia, investment efficiency is still relatively poor compared with the other ASEAN countries. This is an opportunity for future researchers to find other factors that might affect investment efficiency. A future study should also examine different sectors than manufacturing, such as banking, mining, and others.

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