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Submission date: 22-Jan-2022 07:22PM (UTC+0700)

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Article in *International Journal of Trade and Global Markets* · January 2017

DOI: 10.1504/IJTM.2017.10011377

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Board of directors and CSR disclosure in Indonesian banking industry: does education matter?

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Abstract: We examine the relationship between the educational attainment of board chairperson and CSR disclosure in Indonesian banking industry. The underlying theory borrows agency theory positing that the characteristics of board chairperson matters in predicting the overall board performance in fulfilling monitoring responsibilities. Our dataset consists of 86 banks during 2009–2014. Univariate analysis shows that the majority of board chairpersons hold an undergraduate degree. Multivariate analyses find that educational

attainment is positively related to CSR disclosure. Further tests reveal that the effects of educational attainment are contingent to the rank of awarding universities and the independence of board chairperson. However, MBA/accounting/economics educational background is insignificantly related to CSR disclosure.

Keywords: board chairperson; education; banking industry; CSR disclosure; Indonesia.

Reference to this paper should be made as follows: Prabowo, M.A., Iswaningtyas, A., Syofyan, E., Idris, I., Mulazid, A.S. and Habbe, A.H. (2017) 'Board of directors and CSR disclosure in Indonesian banking industry: does education matter?', *Int. J. Trade and Global Markets*, Vol. 10, No. 4, pp.322–338.

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1 Introduction

We investigate the relationship between the educational characteristics of the board chairperson and corporate social responsibility (CSR) disclosure in Indonesian banking industry. Carmeli et al. (2012) and Huang (2013) posit that the characteristic of team leader might drive overall team behaviour that results in specific performance. This view implies that chairperson characteristics might dictate overall board performance in

influencing corporate strategic decision and, eventually, organisational outcome (Untoro et al., 2017; Golja and Paulisic, 2010; Bellavite et al., 2013). For example, the characteristics of chairperson have been claimed as shaping risk preference (Palvia et al., 2015), board involvement in formulating a corporate strategy (Machold et al., 2011), accounting and market return (Peni, 2014) and environmental reporting (Said et al., 2013).

Empirical works commonly start out with the assumption that the characteristics of the individual are related to the observable proxies (Hambrick and Mason, 1984). Therefore, board characteristics might refer to the size and independence (Arena and Braga-Alves, 2013; Zou et al., 2015), demographic nature such as age (Hagendorff and Keasey, 2012; Allini et al., 2016; Bo et al., 2016) and gender (Šavriņa and Sedlmayr, 2016; Rao et al., 2012; Giannarakis, 2014; Rao and Tilt, 2016) and personal traits such as education and expertise (Peni, 2014; Knockaert et al., 2015). However, research investigating the characteristics of board chairperson heavily focus on demographic nature and leave the education characteristic far behind.

In this paper, we elaborate the effect of board chairperson education on CSR disclosure in the banking industry in Indonesia. CSR has been mandatory in Indonesia since the enactment of Undang-Undang (Law) Nos. 40/2007. The law stipulates that companies incorporated in Indonesia are obliged to meet a certain standard of CSR and to disclose their CSR activities. We find that the educational attainment of board chairperson is a significant predictor of CSR disclosure in Indonesia banking industry. Further analysis reveals that the beneficial effect of educational attainment would only be materialised when the chairperson is graduated from higher-ranked university and when the board chairperson is held by an independent director.

We contribute to the growing governance-CSR literature for the following reasons. First, we provide empirical evidence whether the education attainment of board chairperson matters in delivering better organisational performance particularly CSR disclosure. While empirical works in this field mostly concentrate on financial performance, the association between chairperson education and CSR performance mostly left unexplored. Accordingly, our work shed a light on how chairperson characteristic influence different organisational performance. Second, we focus on Indonesia; a developing country that provides investor with less protection. Finance literature posits that the specific institutional setting might affect the relationship between governance variable and organisational outcome. This view suggests that the effect of chairperson education and CSR disclosure in Indonesia might exhibit a specific pattern that differs from those of developed economies. Therefore our study contributes to the CSR literature in relation to developing countries.

2 Literature review and hypothesis development

Agency theory assumes that top management prefers to pursue self-interest behaviour that might diverge from those of shareholders (Jensen and Meckling, 1976). The theory predicts that firm performance is inversely related to the agency problem stems from the opportunistic behaviour of a corporate executive in managing firm resources. Therefore, the theory proposes governance system that serves as a check and balance device to

mitigate agency problem. This view suggests that organisational outcome merely reflect the effectiveness of governance system in preventing management from committing self-interest actions. Although corporate governance might consist of various internal and external mechanisms, Denis and McConnell (2003) argue that the board of directors is at the apex of the governance system.

The board of directors has been quoted as being an internal governance device responsible for monitoring management in deploying corporate resources. Indeed, the board of directors serves as the first-line defence against management opportunistic behaviour in order to ensure that the interests of shareholders are well respected. However, Norburn (1989) explain that team leadership plays a critical role in predicting overall team performance. Accordingly, the team leader has been quoted as having a unique and decisive role (Buyl et al., 2011). This view implies that it is necessarily important to disentangle the potential impact of leadership structure from the aggregate impact of overall team influence.

The importance of team leader hinges upon the presumption that the members of the team are most influenced by the decision of the leader (Waldman and Yammarino, 1999). The work of Sundaramurthy et al. (2015) confirm this presumption and shows that board leadership mediates the effect of directors' human capital on organisational performance. This implies that the chairperson is the most powerful actors among board members. The power eventually enables the board leader to organise board activities, setting board meetings, and dictating board agenda (Prabowo, 2010). In other words, chairperson serves as the driver of the team behaviour that influences the corporate strategic decision and, eventually, organisational performance. For example, board leadership have been claimed as delivering an influence on accounting earnings (Duru et al., 2016), the involvement of the board in formulating a corporate strategy (Machold et al., 2011), the level of compensation disclosure (Ben-Amar and Zeghal, 2011), and the survival of firm subsequent the decision to go public (Chancharat et al., 2012).

While agency literature assumes that the power of board chairperson stems from legal right, Klein et al. (2004) suggest that the characteristics of an individual within the team create centrality that eventually drives the behaviour of the team members. This view implies that personal traits might determine the effectiveness of board chairperson in driving overall board performance. In support to this notion, Giberson et al. (2009) posit that the personal characteristics of the team leader are shared among team members that shape decision-making process within the team. In other words, the characteristics of team leader affect the behaviour and the pattern of interaction among the member of the team. Therefore, the personal characteristics of board chairperson have been quoted as determining, among others, the collaboration and communication among team members (Sarin and O'Connor, 2009) the speed of a team to accomplish certain target (McDonough, 1993), and the effectiveness of team to address probable problem related to assignment and work (Makin et al., 1991) that eventually become manifest in the overall team performance (Adeyemi-Bello, 2003).

Hambrick and Mason (1984) claim that cognitive base is a major component of personal characteristics that drive the ability of any given individual to successfully fulfil the specific assignment. Cognitive base constitutes the knowledge of decision maker about future events, the capability to formulate a set of alternatives and the consequences of available alternatives. They posit that cognitive base might refer to the observable

characteristics such as, among other, educational background. This view underlines the notion that education background shapes the effectiveness of the chairperson in directing the board to achieve expected outcome.

The vast majority of empirical studies investigating the effect of education on personal traits assumes that education is directly related to cognitive ability (Unger et al., 2009). Specifically, education helps to leverage the ability and capacity of the individual to absorb and to analyse higher volume of information and to incorporate various relevant perspectives more quickly (Wiersema and Bantel, 1992). Therefore, the individual with higher education would be more able to identify and formulate the problems and evaluate feasible solutions (Bantel and Jackson, 1989; Wally and Baum, 1994). It is unsurprising that education has been claimed as the foundation of creative problem-solving tasks. This is what Barker and Mueller (2002) exactly posit that education is the most important driver of individual ability to absorb new ideas that lead to individual attitude towards innovation.

Initially, organisational theorists believe that CSR is merely related to moral and ethical issues (Petit, 1966; Walton, 1968). However, researches begin to believe that CSR brings economic consequences and therefore assume that CSR might influence organisational performance have emerged. For example, Rodriguez-Fernandez (2016), using a dataset of Spain listed company, shows that socially responsible firm is associated with higher accounting return (return on assets and return on equity). Lee et al. (2013) explain that CSR in the restaurant industry, a business that is highly sensitive to the state of the economy, provide a positive impact on Tobin's q during recessionary periods. Cahan et al. (2015) find that socially responsible firms enjoy more media coverage that helps to boost their positive public image. Their work reveals a joint effect of CSR and media coverage on firm value. Becchetti et al. (2012) describe that market reacts negatively to exit announcement from Domini 400 Social Index (as a benchmark of CSR engagement). In the conventional banking industry, socially responsible banks outperform non-socially responsible banks in term of the return on assets (ROA) and return on equity (ROE) net interest income, and non-interest income (Wu and Shen, 2013; Shen et al., 2016). Furthermore, CSR is also significantly associated with non-performing loan negatively (Wu and Shen, 2013). Indeed, Cheng et al. (2014) find that socially responsible firms are less likely to face capital constraint. They attributed their findings to the presence of CSR that might help the firm to enhance stakeholder engagement and to promote transparency that results in reduced agency problem and information asymmetry. In short, there is a high incidence of an empirical investigation revealing that CSR brings significant economic consequences.

Fatemi et al. (2015) reveal that the likelihood of upfront cost of CSR leading to value creation, that outweighs the cost, depends on various factors. This view implies that the uncertainties and risks associated with balancing social obligations and financial performance results in a managerial decision that is more varied and complex. Consequently, the cognitive ability of board chairperson, to process various and voluminous information and to evaluate and incorporate institutional changes, would be crucial in ensuring that management pursues an appropriate strategy to balance between social responsibility and financial performance. Assuming a link between educational level and the cognitive ability of board chairperson, there is good reason to believe that higher education attainment will result in effective board monitoring that emphasises

CSR in strategic decision making. Indeed, the characteristic of board chairperson has been quoted as enhancing the effect of CEO experience on the organisational outcome (Sundaramurthy et al., 2015) and positively influence board involvement in the strategic decision (Machold et al., 2011). Thus, it is predicted that;

H1: The educational background of board chairperson is positively related to CSR disclosure.

2.1 Data

We investigate the educational background of board chairperson in Indonesia. The analysis is based on a sample of banks incorporated in Indonesia. Our sample period spans from 2009 to 2015. We choose that period to avoid the confounding effect of the financial crisis that emerged prior to 2019. We begin by obtaining a list of all banks from Bank Indonesia website (the central bank) that provide official assurance of its completeness. The list categorises the banks into four groups; a bank with international operations, banks with domestic operations, banks operating with sharia principles, and community banks. However, sharia and community banks operate with different regulations and thus we delete them from the initial list. This yields a sample consisting of 108 banks.

Our main data source is an annual report for which we could manually obtain the report by downloading from the company website and hand-collecting from the company office. We remove observations where annual reports are unavailable. Next, we extract data on CSR, board chairperson and other variables of interest from the annual report. We preserve only those banks with detailed data on the educational background of board chairperson that describes information on educational attainment (undergraduate, Master, or Doctorate), the awarding institutions, and the school the chairperson attended (MBA/accounting/economics or otherwise). To improve the accuracy of our data on chairperson education, we conduct thorough validation across domestic newspapers and business periodical. Subject to these procedures, the final sample belongs to 86 banks consisting of 337 observations.

2.2 Model

To analyse the relationship between the educational background of board chairperson and CSR disclosure, we use a panel dataset by estimating the following model.

$$CSR_{it} = \beta_1 EDU_{it} + \beta_2 BDSZ_{it} + \beta_3 FEM_{it} + \beta_4 ACSZ_{it} + \beta_5 MANOWN_{it} + \beta_6 LEV_{it} + \beta_7 ROE_{it} + \epsilon_{it}$$

Subscript *i* and *t* stand for bank and year respectively. The dependent variable, CSR disclosure, is the score of the composite index developed by Branco and Rodrigues (2006) that is designed specifically for the banking industry. The index comprises 23 items that fall into four components such as Environment (6 items), Human Resources (9 items), Products and Customers (3 items), and Community Involvements (5 items). We follow their method of content analysis in assessing CSR disclosure. We assign a dummy score to every item that takes 1 if that item is disclosed and 0 otherwise. CSR disclosure is the ratio of the composite score to total score of disclosure index.

Our main independent variable (EDU) is the educational attainment (types of degrees) of the board chairperson (undergraduate, Master, or Doctorate). In a sensitivity analysis, we also use two additional different measure of education such as and the school attended (MBA/ accounting/ economics or otherwise) and the worldwide rank of awarding institution. Our model incorporates control variables including governance characteristics (board size, female executives (FEM), audit committee size, and management ownership) and firm characteristics such as leverage and return on equity. Board size (BSIZE) is the number of directors serving on the board. FEM is a dummy variable that takes 1 if the female is represented in TMT and 0 otherwise. Audit committee size (ACSZ) is the number of member of the audit committee. Management ownership (MANOWN) is a dummy variable that takes 1 if management ownership exists and 0 otherwise. Leverage (LEV) is the ratio of total debt to total assets and return on equity (ROE) is the ratio of earnings before taxes to total equity.

3 Result

3.1 Descriptive statistics and univariate

Table 1 reports descriptive statistics of CSR disclosure, chairperson education, governance characteristics and firm characteristics. On average, 26% of overall CSR score are recorded (6 out of 23 items) while the highest and lowest scores are 4% and 87%, respectively. This suggests that the level of CSR disclosure in Indonesian banking industry is only at a low level. Employees' engagement (HRC) has the highest score of 78% and the lowest score of 0% with the average score of 6.76. Community service records the highest mean score among CSR components (61%) while the lowest average score is observed in human resources (14%). The figures indicate that banking industry focuses on community service while at the same time pay less attention to human resources development.

Table 1 Descriptive statistic

	<i>Symbol</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>S.D</i>
CSR – overall	CSR	0.04	0.87	0.26	0.20
CSR – Environment	ENVI	0.00	0.83	0.20	0.27
CSR- Human resources	HRC	0.00	0.78	0.14	0.22
CSR – customer and product	CUS	0.00	1.00	0.18	0.28
CSR – Community	COMM	0.00	1.00	0.61	0.25
Education	EDU	1.00	3.00	1.23	1.03
Board size	BDSZ	1.00	12.00	5.31	2.24
Female executives	FEM	0.00	1.00	0.14	0.19
Audit committee size	ACSZ	0.00	8.00	3.49	0.99
Management ownership	MOWN	0.00	1.00	0.21	0.40
Leverage	LEV	0.04	0.95	0.78	0.23
ROE	ROE	-1.24	1.44	0.15	0.17

We find that the average education of board chairperson is 1.23 with the minimum and maximum are 1 and 3, respectively. These figures indicate that the majority of board chairpersons hold undergraduate degree although some chairpersons have completed their PhD degree. The board size has a mean of 5.31 and ranges from 1 to 12 directors serving on the board. The presence of FEM is observed in 14% of the sample suggesting that FEM are absent in the majority of our observations. In other words, male-dominated TMT is a salient feature in Indonesian banking industry. The audit committee, on average, consists of 3.49 members and varies from 0 to 8 members. On average, leverage contributes to 78% of total assets. The minimum and maximum are 4% and 95% respectively while the standard deviation is 23%.

Table 2 provides correlation matrix presenting pairwise correlation coefficient among variables. The highest coefficient among independent variables is 0.33. Gujarati (1995) explains that multicollinearity problem is more likely to prevail whenever the coefficient reaches the value of 0.80. Accordingly, correlation matrix indicates that our model is less likely to suffer from multicollinearity issue.

3.2 Baseline result

Table 3 presents estimates from the baseline regression, where we introduce the overall score of CSR disclosure in column (1) and the score of CSR components sequentially in columns (2)–(5). In panel A, our measure of chairperson education is the type of degree (undergraduate/Master/PhD). We report that educational attainment of board chairperson is a strong determinant of overall CSR as well as the components such as environment, human resources, and customer and products. The coefficient of EDU is positive and statistically significant at 1% level of which the effect is nontrivial. Specifically, one standard deviation increase in educational attainment score results in increasing overall CSR, Environment, Human Resources, and Customer and Products disclosure relative to the sample mean respectively. The results thus confirm the notion claiming that educational attainment imparts advanced subject-specific training that helps board chairperson to further improves cognitive ability. In these regressions, Board size and Audit committee size are also positively related to CSR disclosure. FEM, Management ownership, leverage, and ROE are insignificant

3.3 Sensitivity analysis

In Table 4, we change our measure of educational background. Specifically, we rely on the type of school the chairperson attended, of which we assign a dummy variable that takes 1 if the chairperson holds a degree from business school (MBA/accounting/economics) and zero otherwise. We follow logical reasoning advanced by, among others, Slater and Dixon-Fowler (2010) and Lewis et al. (2014) on the importance of business education. They claim that business school is more likely to offer course related to CSR within an economic context. The course eventually enables top corporate insiders to pursue rational decision on socially responsible business. Under this argument, we predict that business-educated chairperson would have a positive influence on CSR disclosure.

Table 2 Correlations matrix

	1	2	3	4	5	6	7	8	9	10	11
1 CSR	1.00										
2 ENV	0.90 ***	1.00									
3 HRC	0.91 ***	0.78 ***	1.00								
4 CUS	0.84 ***	0.69 ***	0.80 ***	1.00							
5 COM	0.54 ***	0.33 ***	0.24 ***	0.28 ***	1.00						
6 EDU	0.03	-0.01	0.06	0.02	0.03	1.00					
7 BDSZ	0.45 ***	0.47 ***	0.32 ***	0.34 ***	0.31 ***	0.05	1.00				
8 FEM	-0.11 **	-0.07	-0.05	-0.07	-0.19 ***	-0.06	0.01	1.00			
9 ACSZ	0.19	0.23 ***	0.11 **	0.13 ***	0.15 ***	0.06	0.33 ***	0.05	1.00		
10 MOWN	-0.07	-0.04	0.02	-0.03	-0.19 ***	-0.11 **	0.04	-0.09 **	-0.06	1.00	
11 LEV	0.15 ***	0.15 ***	0.09 *	0.10 **	0.17 ***	-0.13 ***	0.21 ***	-0.15 ***	0.08 *	0.08 *	1.00
12 ROE	0.16 ***	0.13 ***	0.05	0.08 *	0.28 ***	0.01	0.15 ***	-0.16 ***	0.03	-0.12 **	0.17 ***

Levels of significance are denoted by a, b, and c for 1, 5, and 10% respectively. A variable definition is given in Table 1.

Table 3 The education attainment of board chairperson and CSR disclosure

	1	2	3	4	5
	Overall	ENVI	HRC	CUST	COMM
EDU	0.11 *** (3.82)	0.14 *** (3.42)	0.11 *** (3.24)	0.16 *** (3.53)	0.06 (1.58)
BDSZ	0.04 *** (3.41)	0.06 *** (3.54)	0.05 *** (3.43)	0.01 (0.64)	0.03 * (1.77)
FEM	0.13 (1.33)	0.16 (1.19)	0.16 (1.38)	0.15 (0.99)	0.04 (0.31)
ACSZ	0.03 * (1.89)	0.03 (1.43)	0.02 (1.55)	0.02 (0.94)	0.03 * (1.84)
MOWN	0.04 (0.94)	0.04 (0.64)	0.03 (0.71)	0.04 (0.59)	0.05 (1.00)
LEV	-0.07 (-0.63)	-0.12 (-0.77)	-0.10 (-0.73)	-0.10 (-0.57)	0.05 (0.35)
ROE	-0.10 (-1.55)	-0.14 (-1.63)	-0.08 (-1.12)	-0.10 (-1.07)	-0.07 (-0.92)
Constant	Yes	Yes	Yes	Yes	Yes
Year-fixed effects	Yes	Yes	Yes	Yes	Yes
R ²	0.10	0.11	0.09	0.00	0.04
F	5.84	5.23	4.77	2.42	1.90
Sig	0.00	0.00	0.00	0.02	0.07

Levels of significance are denoted by a, b, and c for 1, 5, and 10% respectively and *t*-values are given in parentheses. A variable definition is given in Table 1.

Controlling for other governance characteristics and firm characteristics, however, the table shows that business education background has an insignificant effect on CSR disclosure while, surprisingly, ROE become negatively related to CSR disclosure ($p < 0.01$). One plausible explanation is that business schools tend to promote individualistic interests that emphasise pursuing the effort to maximise profits without respecting social responsibility (Alajoutsijärvi et al., 2015). Board size and Audit committee size remains significant while the presence of FEM on TMT becomes a significant predictor of CSR disclosure. The insignificant influence of management ownership and leverage persist.

Next, we examine the joint effect of educational attainment and the rank of university. Higher-ranked universities have been asserted as having better resources and academic staff that enable them to pursue excellent research-oriented teaching and therefore offer better education (Wright, 1988; Hartog et al., 2010). As a result, graduates from the higher-ranked university are characterised by a better problem-solving capability that they will bring to their jobs (Drydakis, 2016). This view implies that graduates from reputable universities are more likely to deliver more benefit to the firm.

Based on this argument, we conjecture that board chairperson from higher-ranked universities would be more able to optimally balance profitability and socially responsible business activities.

Table 4 Finance/economics/accounting background and CSR disclosure

	1	2	3	4	5	
	Overall	ENVI	HRC	CUST	COMM	
EDU	0.03 (1.08)	0.03 (0.63)	0.02 (0.60)	0.03 (0.76)	0.06 (1.69)	*
BDSZ	0.03 *** (3.88)	0.05 *** (3.77)	0.04 *** (3.55)	0.03 *** (1.88)	0.02 * (1.93)	*
FEM	0.25 *** (3.34)	0.28 *** (2.69)	0.30 *** (3.33)	0.32 *** (2.80)	0.08 (0.99)	
ACSZ	0.03 *** (2.46)	0.03 (1.58)	0.03 ** (2.03)	0.03 (1.46)	0.04 *** (2.61)	***
MOWN	0.00 (0.14)	0.00 (-0.11)	0.02 (0.43)	-0.01 (-0.11)	0.00 (0.02)	
LEV	-0.06 (-0.82)	-0.04 (-0.36)	-0.10 (-1.02)	-0.07 (-0.62)	-0.01 (-0.07)	
ROE	-0.13 *** (-2.64)	-0.19 *** (-2.74)	-0.16 *** (-2.67)	-0.11 *** (-1.39)	-0.03 (-0.45)	
Constant	Yes	Yes	Yes	Yes	Yes	
Year-fixed effects	Yes	Yes	Yes	Yes	Yes	
R ²	0.08	0.12	0.04	0.03	0.04	
F	6.72	5.18	5.90	2.66	2.52	
Sig	0.00	0.00	0.00	0.01	0.02	

Levels of significance are denoted by a, b, and c for 1, 5, and 10% respectively and *t*-values are given in parentheses. A variable definition is given in Table 1.

In Table 5, we decompose our sample into three layers (high, medium, low) based on the rank of university board chairperson attended sequentially. We rely on university ranking developed by Times Higher Education. In column 1–3 we provide evidence on the effect of educational attainment of board chairperson graduated from top 100 universities worldwide, from top 101–300, and beyond top 300 respectively. In the sub-sample of top 100 universities (column 1), the analysis reveals that educational attainment positively affects CSR disclosure at 5% significance level. Likewise, the effect of educational attainment of board chairperson on CSR is positive at 1% significance level in sub-sample of top 101–200 universities (column 2). In the last column, the model and, therefore, educational attainment become insignificant. Taken together, the findings suggest that the effect of educational attainment is more pronounced when board chairperson obtain the education degree from top 300 universities. In other words, the relationship between the educational attainment of board chairperson and CSR disclosure is contingent to the rank of awarding universities.

Table 5 Impact of school rank on the effects of education attainment

	1		2		3	
	Top100		200–300		300<	
EDU	0.13	**	0.18	***	0.07	
	(2.25)		(3.04)		(1.5)	
BDSZ	0.05	**	0.05	*	0.02	
	(2.29)		(1.94)		(0.94)	
FEM	0.54	**	0.30		-0.09	
	(2.01)		(1.3)		(-0.68)	
ACSZ	0.02		0.02		0.03	
	(0.43)		(1.07)		(1.21)	
MOWN	0.02		0.07		0.05	
	(0.23)		(0.94)		(0.71)	
LEV	0.16		0.09		-0.27	
	(0.32)		(0.51)		(-1.37)	
ROE	-0.08		-0.08		-0.09	
	(-1.1)		(-0.35)		(-0.7)	
Constant	Yes		Yes		Yes	
Year-fixed effects	Yes		Yes		Yes	
R ²	0.13		0.07		0.00	
F	3.29		2.63		1.15	
Sig	0.00		0.02		0.34	

Levels of significance are denoted by a, b, and c for 1, 5, and 10% respectively and *t*-values are given in parentheses. A variable definition is given in Table 1.

In our last robustness check, we test the joint effect between educational attainment and the independence of board chairperson. Within agency literature, independent directors might serve as the first-line defence against management opportunistic behaviour (Ianniello, 2015). By contrast, Prabowo and Simpson (2011) indicate the detrimental effect of the directors representing the interests of controlling owners. However, board chairperson has been quoted as influencing overall board behaviour that eventually become manifest in specific organisational achievement (Prabowo, 2010). Therefore we expect that board with independent leadership would better represent the interests of various stakeholders in addressing socially responsibility issues.

In Table 6 we split the sample based on the independence of board chairperson. Column 1 displays the estimate of sub-sample where independent directors serve as board chairperson. We note that the educational attainment of board chairperson is significantly and positively related to CSR disclosure. In column 2, where non-independent directors serve as chairperson, the effect of educational attainment becomes insignificant. The findings suggest that the relationship between educational attainments of board chairperson is contingent to the type of board leadership. Specifically, the benefit of board chairperson education would only be materialised if the chairperson is independent of management.

Table 6 Impact of chairperson independence on the effects of education attainment

	<i>Indp</i>		<i>Non-indpd</i>	
EDU	0.15 (3.61)	***	0.05 (1.12)	
BDSZ	0.05 (3.33)	***	0.04 (2.12)	**
FEM	0.11 (0.96)		0.23 (1.12)	
ACSZ	0.00 (0.21)		0.02 (0.87)	
MOWN	0.13 (2.14)	**	0.01 (0.15)	
LEV	-0.06 (-0.5)		0.21 (0.76)	
ROE	-0.02 (-0.13)		-0.14 (-1.72)	*
Constant	Yes		Yes	
Year-fixed effects	Yes		Yes	
R ²	0.10		0.19	
F	3.87		2.28	
Sig	0.00		0.03	

Levels of significance are denoted by a, b, and c for 1, 5, and 10%, respectively and *t*-values are given in parentheses. A variable definition is given in Table 1.

4 Summary and conclusion

We examine the relationship between the educational attainment of board chairperson and CSR disclosure in Indonesian banking industry. Our study gives an additional insight into the banking industry in emerging market where the weak institutional environment might shape different behaviours of a monitoring mechanism. Using a dataset consisting 83 banks for the period of 2009–2014, the results reveal that chairperson with higher educational attainment leads to better CSR disclosure. The results offer a support to the notion that superior cognitive ability associated with advanced education degree enables chairperson to balance various interests of stakeholders. Further analysis reveals that the benefit of having higher education could only be materialised if the board chairperson is graduated from top universities ranked within top 300 worldwide. We also find that the effect of educational attainment would only be observed when board chairperson is held by the independent director. The findings thus suggest that the beneficial effects of educational attainment are contingent to the rank of awarding universities and the independence of board chairperson. However, we fail to detect the significant influence of educational background such as MBA/accounting/economics on CSR disclosure. While we are able to confirm the positive effect of educational attainment, several caveats are in order. First, we do not control for endogeneity issue that might lead to

spurious estimates in our model. Second, we are fully aware that the index we borrow might suffer from cross-country compatibility issue. Therefore, the interpretation and the context of our results must be carefully interpreted.

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