

MILITARY EXPERIENCED BOARD AND CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE: AN EMPIRICAL EVIDENCE FROM INDONESIA*

by Mohammad Nasih

Submission date: 14-Jun-2023 11:32AM (UTC+0800)

Submission ID: 2115677706

File name: MohNasih_Karil201_Military_experienced_board-1.pdf (1.11M)

Word count: 10587

Character count: 54550



Publisher

<http://jssidoi.org/esc/home>



**MILITARY EXPERIENCED BOARD AND CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE:
AN EMPIRICAL EVIDENCE FROM INDONESIA***

Mohammad Nasih¹, Iman Harymawan^{*2}, Fajar Kristanto Gautama Putra³, Rizka Qotrunnada⁴

^{1,2,3,4} Universitas Airlangga, Airlangga No. 4-6, Surabaya, 60286, Indonesia

E-mails:¹ mohnasih@feb.unair.ac.id; ^{2*} harymawan.iman@feb.unair.ac.id (corresponding author);
³ fajar.kristanto@akuntanindonesia.or.id; ⁴ rizka.qotrunnada@gmail.com

Received 13 February 2019; accepted 20 July 2019; published 30 September 2019

Abstract. This study examines the impact of military connection and politically connection on Corporate Social Responsibility Disclosure. Using 110 firm year observations of Indonesia listed firms, we predict that the presence of military or politically connection in firm's board will increase the Corporate Social Responsibility Disclosure level on its Sustainability Report. We found that military connected boards increase the Corporate Social Responsibility Disclosure while politically connection does not show any correlation. Our further analysis on specific type of each connection shows that military career position, army military origin, marine military origin, People's Consultative Assembly politically affiliation and House of Representation politically affiliation increase the level of Corporate Social Responsibility Disclosure level. Our result is robust due to various research model and Heckman's two stage regression.

Keywords: corporate social responsibility disclosure; military connection board; politically connected board

Reference to this paper should be made as follows: Nasih, M.; Harymawan, I.; Putra, F.K.G.; Qotrunnada, R. 2019. Military experienced board and corporate social responsibility disclosure: an empirical evidence from Indonesia. *Entrepreneurship and Sustainability Issues* 7(1): 553-573. [http://doi.org/10.9770/jesi.2019.7.1\(39\)](http://doi.org/10.9770/jesi.2019.7.1(39))

JEL Classifications: M500; Q560

* This research has received funding from the Tahir World Class Professorship

I. Introduction

For a long time, the military has been viewed as developing value systems and beliefs in its veterans and their potentially great value in corporate business (Elder, 1986; Elder & Clipp, 1989; Groysberg, Hill, & Johnson, 2010). Through its influence, a military connection has been of considerable interest in business research topics. This paper adds to the literature by examining the military connection influence towards Corporate Social Responsibility Disclosure (CSR).

Various studies have examined the influence of military connections towards corporate outcomes. Using 1,115 CEOs with military connection of US Firms, Benmelech and Frydman (2015) found that military-connected CEOs tend to have lower investment and RnD expenses and their firm is less likely to involve in fraud. They also found that military-connected CEOs performed better in industry distress times. Harymawan (2018) found that military-connected firms are statistically proven to have a lower interest rate of loan in Indonesian firms. In order to deal with endogeneity problems, Heckman's two-stage procedures are used in Harymawan's (2018) research. Military experienced CEOs also show has higher announcement-period of abnormal stock returns during corporate acquisition (Lin, et al., 2011). They also document poor corporate governance and acquisition outcomes' negative correlation is weakened by military-connected CEOs presence.

The military connection also shows some implications on corporate tax avoidance. Based on an assumption whereby CEOs who have greater respect for rules will avoid less tax, Law and Mills (2013) found that those CEOs which represented as ex-military personnel will lead towards lower corporate tax avoidance, both in cash and GAAP effective tax rate. Further, they researched the detail on CEOs military experiences correlation with tax avoidance by moderating it according to his/her military service length, military academy attendance and having served during World War II, Korean War and Vietnam War (Law & Mills, 2014). In the latest literature, using a new econometric technique that disentangles manager effects from firm effects, Law and Mills (2017) found CEOs with military experiences maintain lower reserves for unrecognized tax benefits.

Prior literature provides lights on the debate regarding the benefits of hiring a corporate board that has a military-connection (Benmelech & Frydman, 2015; Duffy, 2006; Lin, et al., 2011; Mietzner & Misol, 2012; Rieffel & Pramodawardani, 2007). However, to the as researchers' knowledge, there are no studies that specifically examine the military connection on Corporate Social Responsibility Disclosure (CSR). Therefore, we focus on examining the correlation of military-connected firms on CSR to provide additional knowledge of military-connected board benefits on the firm.

All samples consisted of Indonesian listed companies, a developing nation where its government has lack of transparency and is inefficient (Leuz, et al., 2003; Porta, et al., 1997), which provides additional opportunity to establish a strong mutual business relationship (Harymawan, 2018). It indicates that political connection is also an important variable to provide a robust result as we examine the correlation of military connection towards CSR, as political connection shares some similar characteristics with a military connection in terms of the mutual business relationship in developing countries. Prior studies results show that political connection is shown to have a positive correlation with CSR (Abd Rahman & Ku Ismail, 2016; Huang & Zhao, 2016). This correlation is based on political rent extraction (McChesney, 1987), where corporates with a politically-connected board are paid in the form of CSR to meet government needs as they accept preferential policies from the government.

For our empirical tests, we employ univariate and multivariate analysis to test the hypotheses. Financial firms are excluded from the sample. Our final sample consists of 110 observations from the 2013-2017 period. We also provide additional analysis which is examining several military connections and political connection types to further highlight the relationship between military connection to CSR. Lastly, we conduct Heckman's two-stage

regression to deal with the endogeneity problem of military connection with its instrumental variable, which is a military base distance to a firm's headquarter office.

Our empirical results can be summarized as follows. First, we find that military connections are positively and significantly correlated with CSR. This indicates that firms with rules concerning boards which represented a military connection provide more CSR. This is because military personnel have a high concern about humanity as they are commonly dispatched to natural disaster sites. We also found that R2 coefficient increases if the military connection is included in the research model. Second, we find that there is no relationship between politically-connected firms and CSR. One of the possible reasons is the tendency of politically-connected firms to protect the benefits acquired from the political connection (Chaney, et al., 2011), including CSR.

Additional analysis of specific military and political connection types shows an interesting result. We document that higher military position, army military origin, and marine military origin have a positive significant correlation with CSR, while, on the other hand, police origin has a negative correlation. This result derives from including Badan Intelijen Nasional (National Intelligence Agency) in police origin, wherein most of their operations are classified so their work nature is carried over into a firm's disclosure level, including CSR. As for specific political connection types, we found that People's Consultative Assembly (PCA) and House of Representatives (HOR) affiliation has a positive correlation with CSR. The underlying reason behind the result is that both PCA and HOR are Indonesian government bodies entitled to devise national regulations, including regulation related to CSR activities or its disclosure. Our Heckman's two-stage regression result provides additional empirically robust evidence of correlation of military connection and CSR.

This study makes several contributions to the literature. First, the result of this study shows the advantages enjoyed by military-connected firms in developing countries (Harymawan, 2018; Mietzner & Misol, 2012). To our knowledge, this study is the first empirical study to provide the effect of military experience director with a focus on CSR in Indonesia. Second, this study complements the prior studies in the CSR (e.g. Cheng, et al., 2014; El Ghouli, et al., 2011; Saeidi, et al., 2015) by providing evidence on the factors that might affect the level of CSR in developing countries.

The rest of the paper is organized as follows. Section II provides a background for the study and this is followed by the hypotheses development section. Section III describes our sample and research model. Section IV reports our main empirical results. Section V concludes.

2. Theory and Hypothesis Development

2.1. Board Connections Characteristic in Indonesia

Developing countries (Malaysia, South Africa, Pakistan, Libya, Turkey, etc.), including Indonesia, have provided certain advantages towards firms which select a board that has certain connections (Abd Rahman & Ku Ismail, 2016; Fung, et al., 2015; Funnell, 2005; Habib, et al., 2017; Harymawan, 2018; Shah, 2014). This results from Indonesia not having strict and detailed regulation on specific board connection characteristics. As long as it does not violate the laws and provides certain benefits, firms will keep considering hiring board(s) that have military and/or political connections.

Military forces (Tentara Nasional Indonesia, TNI) were a dominant player in the economy during the strongman era of President Soeharto, a former general, gaining favored access to contracts and controlling nationalized companies. This phenomenon can be proven to be true as there has always been at least one presidential candidate that has applied in a presidential election since 2004. Thus, we can conclude that Indonesia is a country with an enormous influence of the military over the political decision-making process (Harymawan, 2018).

After the fall of Soeharto, Indonesia has demonstrated significant progress in the context of the first generation of military reforms, which is closely related with institutional changes in the government security sector (Mietzner, 2009). According to Cottey, et al. (2001), "the first generation" is the important stage where disassembling old power structures and, at the same time, also the definition of what the final goal of the democratic transition should be. Large extraction has been happening in the military from formal politics and business and has developed a new system in legislation in order to overview and control the military. But Indonesia is still trapped and cannot fully enter the second generation of military reform, which is completing the framework that was developed in the first: it provides the democratic substance to the structures established by laws and political decisions (Mietzner, 2009).

In mid-2005, Indonesia established the TNI Business Transformation Management Agency with a primary objective to clean up military business from the Suharto legacy (Vestergaard, 2006), and we documented several examples of businesses that had a major military player involved. A large number of military were involved in business in Indonesia due to the Indonesia military forces raising money outside the government budget by spreading the business network. Such business is not directly controlled by the military's central command, but they have been allowed to spread so as to overcome the budget constraints (Human Rights Watch, 2006).

Undoubtedly, the military has a major influence on Indonesian business, as both parties enjoy mutual benefits. It provides unique institutional settings to examine the relationship between military connection and business activities in Indonesia. Especially the corporate action that relates to certain military traits such as empathy to social situations.

In accordance with a military connection, the political connection is also widely spread in Indonesian business. Indonesia's political party funding system = is basically from three sources - internal (member contributions), state-grant, and external (Mietzner, 2015). The central level of a political party needs approximately 50 billion Rupiahs (\$26 million) funding annually while both member donations and state donations each only 0.6 billion Rupiahs (Faisal, et al., 2018). Thus, it means politics is highly involved in the business as its main source of funds comes from the private sector. On the other side, a business can provide easiness related to specific regulations as its token of gratitude.

2.2. Hypothesis development

Military personnel have the impression that they are powerful and disciplined figure that can hopefully give influence in the form of positive corporate actions. Military-connected CEOs can influence executives' decisions, corporate policy, corporate outcomes and tend not to be involved in fraud (Benmelech & Frydman, 2015). According to Lin, Ma, Officer, and Zou (2011), a military-connected CEO can influence the firm value by lowering the agency cost in the context of acquisition and earn a good acquisition.

Another trait that becomes a main advantages of using ex-military personnel is leadership. Multi-national companies such as Wal-Mart and General Electric are craving leadership talent. Those companies have for some years been recruiting junior military officers that served in Iraq and Afghanistan (O'Keefe, 2010). A major player in business needs a CEO that has already proven they can manage a fiercely competitive business environment and, among all candidates' background, military experiences may well suit best for this requirement (Duffy, 2006). Firms should be interested in appointing directors who possess not only superior decision-making skills under pressure, but who also may be inclined to behave more ethically to prevent future breaches of stakeholder trust (Simpson & Sariol, 2018). Somehow military personnel have been viewed as a great leader as they have already experienced hard times and rallied the morale of their comrades. Military officers are used to managing the psychology of his/her subordinates to accomplish their duty effectively and efficiently.

Military personnel have been acknowledged as having a strong relationship with leadership. General Eric K. Shinseki, Chief of Staff of The Army states: "We are about leadership; it is our stock in trade, and it is what makes us different". The military is often stereotyped as a monolithic society and that everything inside the military is homogeneous. Military forces tend to have a diverse collection, such as organizations, roles, cultures, and people (Wong, et al., 2003). For example, in Indonesia, the military is divided into three professions: Angkatan Darat (Army), Angkatan Laut (Marine), and Angkatan Udara (Airforce). Each profession has own uniqueness and culture, and, as a result, its own unique aspect of leadership.

Military personnel are also known as parties used to being the first backup to help casualties when there is a disaster. As military personnel are often to be dispatched as soon as possible to a disaster location, it's possible to foster military personnel sensitivity towards society conditions through various humanity actions which are closely related to Corporate Social Responsibility (CSR).

Oh, Bae, & Kim (2017) claim that sinful firms which including firearms and military industries tend to neutralize their negative image by intensifying advertising of their CSR activities. According to them, sinful firms tend to increase advertising efforts when they engage in CSR comparing to non-sinful firms. It can be hint for management of military industries who also mostly military veterans are used to view CSR as important variable to maintain firms' image.

The combined traits that we previously mentioned will ensure military personnel will encourage the other management to follow his/her opinion, resulting in companies having tendencies to pay more attention to their CSR activities. Those CSR activities will be documented in the company's Sustainability Report (SR) and, as a result, military-connected companies indicate their CSE as one of the important corporate actions that needs to be done. For all those reasons we devise the first hypothesis as follow:

H1: Military-Connected Board is positively related to CSR

Political connections allow a company to be able to increase economic benefits and some companies have a more pointed political background to the Board of Directors due to the experience, insight, and ability with regard to the government (Agrawal and Knoeber, 2001). A Board of Directors which has experience with regards to the government, considers that CSR can improve the performance of the company. According to Huang and Zhao (2016), political connections can be a positive correlation against the CSR performance of private companies listed on the Shanghai Stock Exchange for the period 2008-2014. In addition, political connections are considered capable of giving advantages to improve the company's performance (Bencheikh, et al., 2017) and also increase the value of the company (Faccio, 2006). Therefore, the second hypothesis in this research is as follows:

H2: Politically-connected Board is positively related to CSR

3. Sample and Research Model

3.1. Sample and Data

We initially obtained from the Sustainability Disclosure Database a sample of 244 firm-year observations from Indonesia over the period 2013-2017 from the GRI database. To test our hypotheses, we exclude (1) firms that not listed on the Indonesia Stock Exchange; (2) firms that do not issue a sustainability report; (3) firms included in financial industries (SIC 6). The final sample consists of 110 firm-year observation with 33 firms.

Our final data are described in Table I. Table I is comprised of firms' distribution by its connection. As shown in Panel A, we found that 28 firm-year observations (22 percent) from all our sample are of a military-connected firm. It means that, in only less than one-fourth of companies, one or more company board(s) has military experience. This result is consistent with other military connection research (Benmelech & Frydman, 2015; Harymawan, 2018; Law & Mills, 2017; Lin, et al., 2011) that military personnel and activities tend to be less certain in listed companies. This phenomenon is highlighted as a result of military-connected companies tending to be less transparent in order to avoid public monitoring (Misol, 2006). We also documented that, among all industry types based on US SIC only wholesale and trade industry (SIC 5), military-connected companies firm-year observations are higher than companies that do not have any military connection.

Table 1. Sample Distribution based on Industry Classification

Panel A. Military Connection Sample Distribution (MCON)						
Industry (SIC)	MCON		NON-MCON		Total	
	N	%	N	%	N	%
Agriculture, Forestry, and Fishing (0)	0	0	10	100	10	100
Mining and Construction (1)	12	34	23	66	35	100
Manufacturing (2)	6	40	9	60	15	100
Manufacturing (3)	2	12	15	88	17	100
Transportation, Communications, Electric, Gas and Sanitary service (4)	1	5	19	95	20	100
Wholesale and Retail Trade (5)	7	78	2	22	9	100
Services (8)	0	0	4	100	4	100
Total	28	25	82	76	110	100
Panel B. Political Connection Distribution Sample (PCON)						
Industry (SIC)	PCON		NON-PCON		Total	
	N	%	N	%	N	%
Agriculture, Forestry, and Fishing (0)	7	70	3	30	10	100
Mining and Construction (1)	27	63	8	37	35	100
Manufacturing (2)	10	80	5	20	15	100
Manufacturing (3)	9	41	8	59	17	100
Transportation, Communications, Electric, Gas and Sanitary service (4)	16	75	4	25	20	100
Wholesale and Retail Trade (5)	9	100	0	0	9	100
Services (8)	2	50	2	50	4	100
Total	73	66	37	34	110	100

Source: Computed by authors

Unlike military connection, politically-connected companies have likely shown their presence in listed companies, as shown in panel B. According to our sample, there is 66 percent among all our sample classified as a politically-connected sample (see Table 2). It is also a fact that politically-connected boards are favored in

Indonesia according to mounting research of Indonesia's political connections (Fisman, 2001; Habib, et al., 2017; Leux & Oberholzer-Gee, 2006)..

Table 2. Sample Distribution based on Military and Political Connection Types

Panel A. Military Connection Sample Distribution Types (MCON)						
MCON Type	Selected type MCON		Other types MCON		Total	
	N	%	N	%	N	%
Military position						
Top officers (position)	20	71	8	29	28	100
Middle officers (position)	4	4	27	96	28	100
Low officers and others (position)	7	25	21	75	28	100
Military origin						
Army (Origin)	18	64	10	36	28	100
Marine (Origin)	7	25	21	75	28	100
Airforce (Origin)	0	0	28	100	28	100
Police (Origin)	7	25	21	75	28	100
Panel B. Political Connection Distribution Sample Types (PCON)						
PCON Type	Selected type PCON		Other type PCON		Total	
	N	%	N	%	N	%
Political board						
Board of Commissioner	78	96	2	4	80	100
Board of Director	24	29	56	71	80	100
Political affiliation						
People's Consultative Assembly	17	21	63	79	80	100
House of Representatives	15	19	65	81	80	100
Ministry	71	89	9	11	80	100
Organization	47	59	33	41	80	100
State-owned	47	59	33	41	80	100
Political party	0	0	80	100	80	100

Source: Computed by authors

Interested in more types of military and political connection, we also classified our sample into more specific connections. Table 2 represents our sample with a more specific connection. We classify military connection into two classifications: based on military position and military origin (Panel A). There are three kinds of military positions which are a top officer (general), middle officer (major and colonel), and others. It shows that most of the military-connected boards have a high tier position with a former past military career. We also divide the military based on their origin. We add police origin as police (including Indonesian State Intelligence Agency personnel) as they mostly have the same traits as military personnel.

As for the political connection, we also classify this into two: based on its board position and its political affiliation (Panel B). It shows that politically-connected listed companies are dominated by a Politically Exposed Person (PEP) who has a connection to certain ministry in Indonesia (89 percent).

Descriptive statistics are provided in Table 3, as shown below. We construct three panels of descriptive statistics with panel A using all sample (N=110), while panel B only focuses on the difference between military-connected (N=28) and non-military-connected sample (N=82) also panel C focuses on both politically connected (N=73) and non-politically-connected sample (N=37). Both panel B and C show that CSRD in military and political connections have greater average value compared to non-military and non-politically-connected sample, respectively.

Table 3. Statistic Descriptive

Panel A. All Sample (N=110)								
Variable	Mean	Median	Minimum	Maximum				
CSRD	0.401	0.357	0.099	0.956				
MCON	0.218	0.000	0.000	1.000				
PCON	0.664	1.000	0.000	1.000				
ROE	0.155	0.108	-0.406	1.358				
LEV	0.507	0.491	0.136	1.193				
FSIZE	30.701	30.771	28.453	32.744				
BSIZE	12.418	12.000	7.000	20.000				
INDCOM	0.342	0.333	0.000	0.750				
AUDCOM	3.300	3.000	0.000	6.000				
BIG4	0.800	1.000	0.000	1.000				
Panel B. Military Connection (N=28) and Non-Military Connection Sample (N=82)								
Variable	Mean		Median		Minimum		Maximum	
	MCON	Non-MCON	MCON	Non-MCON	MCON	Non-MCON	MCON	Non-MCON
CSRD	0.499	0.368	0.467	0.352	0.099	0.099	0.956	0.813
MCON_POS	2.464	0.000	3.000	0.000	1.000	0.000	3.000	0.000
MCON_ARMY	0.643	0.000	1.000	0.000	0.000	0.000	1.000	0.000
MCON_MARINE	0.250	0.000	0.000	0.000	0.000	0.000	1.000	0.000
MCON_POLICE	0.250	0.000	0.000	0.000	0.000	0.000	1.000	0.000
PCON	0.929	0.659	1.000	1.000	0.000	0.000	1.000	1.000
ROE	0.134	0.162	0.129	0.092	-0.079	-0.406	0.330	1.358
LEV	0.511	0.506	0.502	0.491	0.281	0.136	0.744	1.193
FSIZE	30.924	30.627	30.843	30.771	29.859	28.453	32.045	32.744
BSIZE	12.571	12.366	12.000	12.000	9.000	7.000	20.000	17.000
INDCOM	0.348	0.339	0.333	0.333	0.000	0.000	0.500	0.750
AUDCOM	3.393	3.268	3.000	3.000	0.000	0.000	6.000	6.000
BIG4	0.607	0.866	1.000	1.000	0.000	0.000	1.000	1.000
Panel C. Political Connection (N=73) and Non-Political Connection Sample (N=37)								

Variable	Mean		Median		Minimum		Maximum	
	PCON	Non-PCON	PCON	Non-PCON	PCON	Non-PCON	PCON	Non-PCON
CSRD	0.420	0.353	0.368	0.341	0.099	0.110	0.956	0.813
MCON	0.325	0.067	0.000	0.000	0.000	0.000	1.000	1.000
PCON_BOC	0.975	0.000	1.000	0.000	0.000	0.000	1.000	0.000
PCON_BOD	0.300	0.000	0.000	0.000	0.000	0.000	1.000	0.000
PCON_PCA	0.212	0.000	0.000	0.000	0.000	0.000	1.000	0.000
PCON_HOR	0.188	0.000	0.000	0.000	0.000	0.000	1.000	0.000
PCON_MINISTRY	0.887	0.000	1.000	0.000	0.000	0.000	1.000	0.000
PCON_ORG	0.588	0.000	1.000	0.000	0.000	0.000	1.000	0.000
PCON_STATE	0.588	0.000	1.000	0.000	0.000	0.000	1.000	0.000
ROE	0.137	0.202	0.107	0.144	-0.406	-0.069	1.358	1.358
LEV	0.499	0.528	0.490	0.503	0.176	0.136	0.802	1.193
FSIZE	30.843	30.327	30.838	30.447	28.799	28.453	32.744	32.487
BSIZE	12.613	11.900	12.000	12.000	7.000	7.000	20.000	16.000
INDCOM	0.336	0.357	0.333	0.333	0.000	0.000	0.750	0.600
AUDCOM	3.413	3.000	3.000	3.000	2.000	0.000	6.000	5.000
BIG4	0.825	0.733	1.000	1.000	0.000	0.000	1.000	1.000

Source: Computed by authors

3.2. Corporate Social Responsibility Disclosure (CSR) Model

To test the effect of military and political connections on the Corporate Social Responsibility Disclosure (CSR), we estimate the following model:

$$CSR_{i,t} = \beta_0 + \beta_1 MCON_{i,t} + \beta_2 PCON_{i,t} + \beta_3 ROE_{i,t} + \beta_4 LEV_{i,t} + \beta_5 FSIZE_{i,t} + \beta_6 BSIZE_{i,t} + \beta_7 INDCOM_{i,t} + \beta_8 AUDCOM_{i,t} + \beta_9 BIG4_{i,t} + \beta_{10} YEAR_{i,t} + \beta_{11} INDUSTRY_{i,t} + \epsilon_{i,t} \quad (1)$$

We employed those control variables based on prior literature (Chen, et al., 2019; Martínez-Ferrero, et al., 2016; McGuinness, et al., 2017; Ramón-Llorens, et al., 2018; Wang, et al., 2018) we add return on equity, leverage, firm's size, board of commissioners and directors, independent commissioners, audit committee, and firm's public accounting firm.

Table 4. Variable Definition

Variable	Definition	Data source
<i>Dependent variable</i>		
CSR	Percentage of disclosed criteria in Sustainability Report (SR)	SR
<i>Test variable</i>		
MCON	1 for a firm with one or more commissioners and/or directors who held military positions before sitting on the board and otherwise 0	ICMD
MCON_POS	Military last position, 3 for top officers; 2 for middle officers; 1 for lower officers and others and otherwise 0	ICMD

MCON_ARMY	1 for military origins is army (<i>Angkatan Darat</i>) and otherwise 0	ICMD
MCON_MARINE	1 for military origins is marine (<i>Angkatan Laut</i>) and otherwise 0	ICMD
MCON_AIRFORCE	1 for military origins is airforce (<i>Angkatan Udara</i>) and otherwise 0	ICMD
MCON_POLICE	1 for military origins is police and/or Indonesian State Intelligence Agency (<i>Badan Intelijen Nasional</i>) and otherwise 0	ICMD
PCON	1 for a firm with one or more commissioners and/or directors who held political positions current/before sitting on the board and otherwise 0	ICMD
PCON_BOC	1 for Political Exposed Person (PEP) is sitting on the Board of Commissioner and otherwise 0	ICMD
PCON_BOD	1 for Political Exposed Person (PEP) is sitting on the Board of Director and otherwise 0	ICMD
PCON_PAC	1 for Political Exposed Person (PEP) affiliation from People's Consultative Assembly and otherwise 0	ICMD
PCON_HOR	1 for Political Exposed Person (PEP) affiliation from House of Representatives and otherwise 0	ICMD
PCON_MINISTRY	1 for Political Exposed Person (PEP) affiliation from Indonesia's Ministry and otherwise 0	ICMD
PCON_ORG	1 for Political Exposed Person (PEP) affiliation from important organizations and otherwise 0	ICMD
PCON_STATE	1 for Political Exposed Person (PEP) affiliation from state-owned companies or <i>Pemerintah Republik Indonesia</i> (Indonesia's government) ownership minimum 10% of total firm ownership and otherwise 0	ICMD
PCON_PARTY	1 for Political Exposed Person (PEP) affiliation from a political party and otherwise 0	ICMD
<i>Control variable</i>		
ROE	Net income after preferred divided by average total assets for the year	OSIRIS
LEV	Total liabilities scaled by total assets	OSIRIS
FSIZE	Natural logarithm of total assets	OSIRIS
BSIZE	The total person who sits on the boards	ICMD
INDCOM	The total person who positioned as an independent commissioner	AR
AUDCOM	The total person who sits on the audit committee	AR
BIG4	1 for firm's Public Accountant Firm (PAF) is either Deloitte, Ernst & Young (EY), KPMG, and PricewaterhouseCoopers (PWC) and otherwise 0	OSIRIS
MILLS	The inverse Mills ratio	
<i>Selection model variable</i>		
MDIST	Natural logarithm of the distance between the location of an Indonesian Military base and the firm's headquarters	Mapdevelopers.com

Source: Constructed by authors

We provide operational variable measurement in Table 4. The data source of this research sample comes from Sustainability Report (SR), Indonesia Capital Market Directory (ICMD), OSIRIS database, Annual Report (AR) and map developer website. As mentioned before, we divide the military and political connection into a specific connection. We also derive other OLS to test the specific effect of each military connection and political connection on the CSR. The estimated model for the specific connection types is:

$$CSR_{i,t} = \beta_0 + \beta_1 X1_{i,t} + \beta_2 ROE_{i,t} + \beta_3 LEV_{i,t} + \beta_4 FSIZE_{i,t} + \beta_5 BSIZE_{i,t} + \beta_6 INDCOM_{i,t} + \beta_7 AUDCOM_{i,t} + \beta_8 BIG4_{i,t} + \beta_9 YEAR_{i,t} + \beta_{10} INDUSTRY_{i,t} + \varepsilon_{i,t} \quad (2)$$

$$CSR_{i,t} = \beta_0 + \beta_1 X2_{i,t} + \beta_2 ROE_{i,t} + \beta_3 LEV_{i,t} + \beta_4 FSIZE_{i,t} + \beta_5 BSIZE_{i,t} + \beta_6 INDCOM_{i,t} + \beta_7 AUDCOM_{i,t} + \beta_8 BIG4_{i,t} + \beta_9 YEAR_{i,t} + \beta_{10} INDUSTRY_{i,t} + \varepsilon_{i,t} \quad (3)$$

X1 = Specific military connection types. It can be either military position or military origins (army, marine, police)

X2 = Specific political connection types. It can be either political board (board of commissioner, the board of director) or political affiliation (people's consultative assembly, house of representatives, organization, ministry, state, political party).

Table 5. Pearson Correlation Matrix (N=110)

	CSRD	MCON	PCON	ROE	LEV	FSIZE	BFSIZE	INDCOM	AUDCOM	BIG4
CSRD	1.000									
MCON	0.366*** (0.000)	1.000								
PCON	0.018 (0.856)	0.376*** (0.000)	1.000							
ROE	-0.103 (0.286)	-0.039 (0.683)	-0.043 (0.653)	1.000						
LEV	-0.137 (0.153)	-0.071 (0.459)	0.105 (0.275)	0.082 (0.393)	1.000					
FSIZE	0.239** (0.012)	0.161* (0.094)	0.228** (0.017)	-0.192** (0.045)	-0.046 (0.631)	1.000				
BFSIZE	0.310*** (0.001)	0.062 (0.521)	0.059 (0.543)	0.039 (0.683)	-0.107 (0.264)	0.365*** (0.000)	1.000			
INDCOM	0.209** (0.029)	0.044 (0.648)	-0.074 (0.443)	-0.391*** (0.000)	-0.136 (0.156)	0.133 (0.165)	-0.100 (0.298)	1.000		
AUDCOM	0.022 (0.820)	-0.095 (0.321)	0.181* (0.059)	-0.045 (0.644)	-0.035 (0.718)	0.296*** (0.002)	0.045 (0.640)	-0.041 (0.671)	1.000	
BIG4	-0.069 (0.474)	-0.121 (0.208)	-0.067 (0.485)	0.141 (0.143)	-0.489*** (0.000)	0.099 (0.304)	-0.062 (0.520)	-0.094 (0.328)	0.038 (0.697)	1.000

Source: Computed by authors

Table 5 provides a correlation matrix for all variables used in the main analyses. The relationship between MCON and CSRD is positive. We also found military connections are positively associated with the relationship between CSR and PCON variable is positive but not significant. This gives the picture that a company that has a member of the Board of Commissioners and/or Directors of connected politics will have no result on CSRD of the company. We also employ univariate test of our research variable. Table 6 displays the results of the t-test, which explains that the average value of the CSR performance of companies that have military connections is higher compared to companies that are not connected to the military, while the company connected politics has an average value of a company's CSRD higher than a company that without political connections.

Table 6. Independent T-test Result

Panel A. Military Connection <i>Independent t-test</i> (MCON)				
VARIABLE	MEAN		Coef	t-value
	MCON (N=24)	NON-MCON (N=86)		
CSRD	0.543	0.362	0.180***	4.093***
ROE	0.132	0.161	-0.028	-0.410
LEV	0.482	0.514	-0.033	-0.744
FSIZE	30.985	30.622	0.363*	1.690*
BSIZE	12.667	12.349	0.318	0.643
INDCOM	0.352	0.339	0.013	0.458
AUDCOM	3.125	3.349	-0.224	-0.997
BIG4	0.708	0.826	-0.117	-1.267
Panel B. Political Connection <i>Independent t-test</i> (PCON)				
VARIABLE	MEAN		Coef	t-value
	PCON (N=73)	NON-PCON (N=37)		
CSRD	0.404	0.396	0.008	0.182
ROE	0.145	0.173	-0.027	-0.451
LEV	0.522	0.479	0.042	1.098
FSIZE	30.853	30.402	0.451**	2.435**
BSIZE	12.507	12.243	0.264	0.610
INDCOM	0.335	0.355	-0.019	-0.770
AUDCOM	3.425	3.054	0.371*	1.911*
BIG4	0.781	0.838	-0.057	-0.701

t statistics in parentheses

* t > 1.660 **t > 1.984 ***t > 2.626, in level of 10%, 5% and 1%.

Source: Computed by authors

4. Empirical Results

In this section, we reported the empirical result of research analysis on the relationship of military and political connection to Corporate Social Responsibility Disclosure (CSRD). In the first section, we provide the result of the OLS regression of the main research model. Next, we present the OLS regression for each relation of specific military and political connection to CSRD. Last but not least, we described the result of Heckman's two-stage regression model to deal with the military connection endogeneity problem.

4.1. Main Analysis

We provide our main analysis in Table 7. First, we decide to make the OLS regression model without any test variables (column 1) to find the adjusted R² value before considering any test variables in the research model. In the second and third column, we provide each test variables (e.g. military connection and political connection), respectively. We found that military connection (MCON) has a positive coefficient (0.111) and is statistically significant at the 5 percent level (t=2.09). We also documented that the adjusted R² value is increasing compared to first research model (column 1). Based on the third column, political connection (PCON) has no significant

correlation ($t=0.94$) on CSR. We also employ both test variables into one research model and find MCON still has positive coefficient (0.108) and significant correlation ($t=1.99$), which implies that the result is robust in any model, with or without PCON in the research model. We also conduct the regression model where we make the interaction between MCON and PCON, but it shows no significant result.

Table 7. Military Connection, Political Connection and CSR OLS

	(1)	(2)	(3)	(4)
	CSR	CSR	CSR	CSR
MCON		0.111** (2.09)		0.108** (1.99)
PCON			0.033 (0.94)	0.016 (0.46)
ROE	-0.118 (-1.44)	-0.110 (-1.34)	-0.107 (-1.27)	-0.105 (-1.25)
LEV	-0.042 (-0.44)	-0.023 (-0.23)	-0.049 (-0.52)	-0.027 (-0.27)
FSIZE	0.050** (2.53)	0.039* (1.96)	0.048** (2.34)	0.039* (1.89)
BSIZE	0.020** (2.42)	0.020** (2.29)	0.019** (2.28)	0.019** (2.20)
INDCOM	0.347** (2.43)	0.353** (2.43)	0.366** (2.56)	0.362** (2.47)
AUDCOM	-0.003 (-0.26)	-0.007 (-0.51)	-0.006 (-0.47)	-0.008 (-0.60)
BIG4	0.070 (1.27)	0.116* (1.90)	0.065 (1.16)	0.112* (1.81)
Industry Fixed Effect	Included	Included	Included	Included
Year Fixed Effect	Included	Included	Included	Included
_cons	-1.361** (-2.42)	-1.077* (-1.89)	-1.294** (-2.19)	-1.053* (-1.80)
Adjusted r2	0.361	0.391	0.358	0.385
F	14.283	13.617	11.928	12.341
N	110	110	110	110

t statistics in parentheses
* $t > 1.660$ ** $t > 1.984$ *** $t > 2.626$, in level 10%, 5% and 1%.

Source: Computed by authors

As MCON showing shows a positive correlation with CSR, we infer that our first hypothesis is accepted while our second test variable, PCON, shows a different result. We expect that that result comes from the information disclosure of politically-connected firms as being lower compared to other firms. One of the reasons is that tendencies are politically-connected firms protect the benefits acquired from the political connection (Chaney, et al., 2011). Another possible reason is that the politically-connected board(s) will prioritize personal matter over firm interest (Bencheikh & Taktak, 2017).

4.2. Specific Military Connection Types Analysis

In this section, we provide deeper analysis which specifies military connection types. As shown in Table 8, we employ four additional specific military connection types (e.g. position, army, marine, and police). We omit the air force military origins as our sample did not consist of any air force military connection origins. The first column shows that the higher position of military career has a positive coefficient (0.041) and significant correlation ($t=2.16$). Consistent with the military position, army and marine military connection are shown to be positive and statistically significant at level 1% and 5%, respectively. The different result comes from a military

connection that comes from police origin, it shows negative (-0.228) correlation at a 1% level of significance (t=-3.24) with CSR. These results also imply that the army and marine military origin correlations towards CSR are stronger than police correlation as the aggregate military connection shows a positive correlation (Table 7).

Table 8. Military Connection, Political Connection and CSR OLS

	(1)	(2)	(3)	(4)
	CSR	CSR	CSR	CSR
MCON_POS	0.041** (2.16)			
MCON_ARMY		0.153*** (2.65)		
MCON_MARINE			0.200** (2.16)	
MCON_POLICE				-0.228*** (-3.24)
ROE	-0.097 (-1.21)	-0.091 (-1.18)	-0.121 (-1.44)	-0.091 (-1.19)
LEV	-0.008 (-0.08)	-0.002 (-0.02)	-0.054 (-0.57)	-0.041 (-0.45)
FSIZE	0.036* (1.77)	0.034* (1.80)	0.053** (2.62)	0.057*** (3.15)
BSIZE	0.021** (2.45)	0.022** (2.56)	0.022** (2.49)	0.023*** (2.88)
INDCOM	0.364** (2.54)	0.339** (2.35)	0.345** (2.33)	0.311** (2.23)
AUDCOM	-0.002 (-0.18)	0.001 (0.09)	-0.003 (-0.23)	0.007 (0.53)
BIG4	0.102* (1.84)	0.093* (1.81)	0.060 (1.12)	0.000 (0.00)
Industry Fixed Effect	Included	Included	Included	Included
Year Fixed Effect	Included	Included	Included	Included
_cons	-0.986* (-1.74)	-0.973* (-1.82)	-1.456** (-2.54)	-1.616*** (-3.08)
Adjusted r2	0.395	0.422	0.409	0.406
F	13.922	14.440	14.524	16.187
N	110	110	110	110

t statistics in parentheses

* t > 1.660 ** t > 1.984 *** t > 2.626, in level 10%, 5% and 1%.

Source: Computed by authors

The military position is closely related to the number of responsibilities. A higher tier officer has more mounting responsibilities than their junior subordinates. This provides a basic understanding of the positive correlation between military position and CSR. As for military origin, army and marine have been trained to possess Esprit De Corps and sensitivity to others, which means they feel responsible to help others in the form of corporate CSR. The negative correlation of police origins may come from the fact that police origin is dominated by the Indonesia State Intelligence Agency (Badan Intelijen Nasional), in which, although their organizational ultimate goal is to help others, most of their operations are conducted in secretly. They are not used to sharing information as most of the organizational activities are classified.

4.3. Specific Political Connection Types Analysis

As we conducted with a military connection, we are also interested to further analyze the correlation of specific political connection types towards CSR. Table 9 provides the result of specific political connection types. Among all specific political connection types only People's Consultative Assembly (MCON_PCA) and House of Representative (MCON_HOR) affiliation shows significant correlation towards CSR. The coefficient MCON_PCA is 0.093 and MCON_HOR is 0.119 exposed 10% (t=1.67) and 1% (t=2.67) level of significance.

Table 9. Specific Political Connection OLS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	CSR	CSR	CSR	CSR	CSR	CSR	CSR
PCON_BOC	0.048 (1.34)						
PCON_BOD		-0.077 (-1.38)					
PCON_PCA			0.093* (1.67)				
PCON_HOR				0.119*** (2.67)			
PCON_MINISTRY					0.017 (0.45)		
PCON_ORG						0.016 (0.48)	
PCON_STATE							-0.000 (-0.01)
ROE	-0.106 (-1.27)	-0.141* (-1.80)	-0.106 (-1.25)	-0.077 (-0.99)	-0.115 (-1.40)	-0.120 (-1.43)	-0.118 (-1.43)
LEV	-0.040 (-0.43)	-0.000 (-0.00)	-0.049 (-0.52)	-0.040 (-0.43)	-0.052 (-0.53)	-0.031 (-0.33)	-0.042 (-0.44)
FSIZE	0.048** (2.40)	0.050** (2.57)	0.043** (2.26)	0.045** (2.36)	0.047** (2.09)	0.049** (2.48)	0.050** (2.42)
BSIZE	0.018** (2.13)	0.020** (2.51)	0.020** (2.27)	0.026** (3.01)	0.020** (2.35)	0.020** (2.36)	0.020** (2.40)
INDCOM	0.365** (2.59)	0.331** (2.38)	0.327** (2.16)	0.399** (2.83)	0.349** (2.44)	0.344** (2.40)	0.347** (2.39)
AUDCOM	-0.009 (-0.66)	-0.003 (-0.22)	-0.010 (-0.70)	-0.007 (-0.48)	-0.006 (-0.41)	-0.005 (-0.36)	-0.003 (-0.24)
BIG4	0.069 (1.22)	0.065 (1.26)	0.060 (1.15)	0.060 (1.15)	0.067 (1.22)	0.069 (1.26)	0.070 (1.26)
Industry Fixed Effect	Included	Included	Included	Included	Included	Included	Included
Year Fixed Effect	Included	Included	Included	Included	Included	Included	Included
cons	-1.302** (-2.24)	-1.358** (-2.43)	-1.111** (-2.02)	-1.332** (-2.42)	-1.262* (-1.90)	-1.343** (-2.36)	-1.363** (-2.28)
Adjusted r2	0.364	0.374	0.379	0.395	0.355	0.355	0.354
F	11.407	16.708	14.218	15.979	12.791	12.928	13.368
N	110	110	110	110	110	110	110

t statistics in parentheses

* t > 1.660 ** t > 1.984 *** t > 2.626, in level 10%, 5% and 1%.

Source: Computed by authors

The underlying reason behind those results is that both PCA and HOR are Indonesia's government bodies entitled to devise national regulations, including regulation related to CSR activities or its disclosure. It means PCA and HOR politically connected firms have a longer time to adjust to new regulations as, mostly, the firm will be informed long before those regulations are published.

4.4. Self-selection Bias

Self-selection bias is a bias that is introduced into a research project when participants choose whether or not to participate in the project, and the group that chooses to participate is not equivalent (in terms of the research criteria) to the group that opts out. The problem of selection bias in economic and social statistics and arises when a rule other than simple random sampling is used to sample the underlying population that is the object of interest (Heckman, 2010). According to Harymawan (2018), there are possibilities where unobserved military connection traits are the antecedents rather than military connections. In order to deal with this issue, we employ Heckman's two-stage model following Kim and Zhang (2016).

In the first stage of regression, we used military base distance (MDIST) as our selection model variable to ensure that the CSRD is correlated with the military connection, not the military base distance. Hereby, we estimate the following first stage regression model is as follows:

$$MCON_{it} = \beta_0 + \beta_1 MDIST_{it} + \beta_2 ROE_{it} + \beta_3 LEV_{it} + \beta_4 FSIZE_{it} + \beta_5 BSIZE_{it} + \beta_6 INDCOM_{it} + \beta_7 AUDCOM_{it} + \beta_8 BIG4_{it} + \beta_9 YEAR_{it} + \beta_{10} INDUSTRY_{it} + \varepsilon_{it} \quad (4)$$

The exclusion variable in this research is MDIST, which is closely related to MCON. We believe that MDIST has no direct relationship to CSRD other than indirect impact through MCON. According to prior research (Harymawan, 2018; Kim & Zhang, 2016), closer distance from firm headquarter office and military base will result in more chance of having military-connected board(s), at the same time that distance will have no explanation towards CSRD.

In order to examine the correlation between military connection and CSRD, we estimated the following second-level regression equation:

$$CSRD_{it} = \beta_0 + \beta_1 MCON_{it} + \beta_2 PCON_{it} + \beta_3 ROE_{it} + \beta_4 LEV_{it} + \beta_5 FSIZE_{it} + \beta_6 BSIZE_{it} + \beta_7 INDCOM_{it} + \beta_8 AUDCOM_{it} + \beta_9 BIG4_{it} + \beta_{10} INVMILLS_{it} + \beta_{11} YEAR_{it} + \beta_{12} INDUSTRY_{it} + \varepsilon_{it} \quad (5)$$

Using the estimation result of the first-level regression equation, we constructed Mills ratios and included these ratios in the second-stage regression (INVMILLS). The β_{11} is expected to have positive and significant to indicate that military-connected board(s) will be favorable in terms of improving the CSRD.

Table 10. Heckman Two-Stage Regression

	1 st Stage Regression	2 nd Stage Regression	
	MCON	CSRD	CSRD
MCON		0.101 [*]	0.099 [*]
		(1.69)	(1.66)
PCON			0.014
			(0.38)
MDIST	5.317 ^{***}		
	(4.25)		

ROE	0.072 (0.17)	-0.111 (-1.33)	-0.106 (-1.26)
LEV	-0.359 (-0.46)	-0.012 (-0.11)	-0.017 (-0.16)
FSIZE	0.613*** (2.61)	0.032 (1.10)	0.033 (1.11)
BSIZE	-0.091 (-1.22)	0.022** (2.00)	0.021* (1.84)
INDCOM	-1.008 (-0.90)	0.371** (2.48)	0.376** (2.50)
AUDCOM	-0.166 (-1.16)	-0.007 (-0.49)	-0.008 (-0.57)
BIG4	-1.551*** (-3.45)	0.130* (1.75)	0.125 (1.61)
INVMILLS		-0.016 (-0.35)	-0.013 (-0.28)
Industry Fixed Effect	Included	Included	Included
Year Fixed Effect	Included	Included	Included
_cons	-28.303*** (-3.50)	-0.876 (-1.07)	-0.890 (-1.08)
Pseudo r2	0.301		
Adjusted r2		0.385	0.379
F		13.020	11.897
N	110	110	110

t statistics in parentheses

* |t| > 1,660 **|t| > 1,984 ***|t| > 2,626, in level 10%, 5% and 1%.

Source: Computed by authors

Table 10 presents the result of Heckman's two-stage regression. The first column shows the result of the first-stage regression model. It shows that military distance has positive (5.317) and significant correlation at 1% (t=4.25). The second and third column in Table 10 is the result of second-stage regression where the dependent is CSRD not MCON as in the first-stage regression. In the third column, we add PCON in the research model to provide a more robust result. This second-stage regression result implies that the correlation MCON toward CSRD is robust whether in ordinary OLS model (Table 8) or Heckman's two-stage regression model (Table 10).

Conclusions

Based on the test results of the analysis performed over the variables examined, the conclusions that can be drawn from this study are as follows. Military connection has positive and significant effect against CSR, meaning the company having a member of the Board of Commissioners or Directors of the experienced military can generate CSR better than companies that do not have a Member the Board of Commissioners or Directors who are military experienced. This is because members of the military are known as the soul of good leadership, discipline, and also the ability of good organizing (Harymawan, 2018) as well as having influence in management decision-making (Benmelech & Frydman, 2015), considered to be able to improve performance as well as the CSR of company. However, political connections have a negative and not significant relationship towards CSR. This is due to the possibility of an indication that members of the Board of Commissioners or Directors of connected politics would sacrifice the interests of the company for the sake of objective political connections for personal gain (Bencheikh & Taktak, 2017), so that attention to managing your company's information disclosure quality will be low in order to protect the benefits obtained on gains from political connections (Chaney, et al., 2011). For further studies we recommend that to add more proxy of CSR such as

KLD (Simpson & Sariol, 2018), CSR advertising expense (Oh, et al., 2017) or other CSR criteria to provide more robust result of military connection and CSR correlation.

References

- Abd Rahman, I. & Ku Ismail, K. N. I., 2016. The effects of political connection on corporate social responsibility disclosure – evidence from listed companies in Malaysia. *International Journal of Business and Management Invention* 5(2): 16-21. Retrieved from https://www.researchgate.net/publication/303402635_The_effects_of_political_connection_on_corporate_social_responsibility_disclosure_-_evidence_from_listed_companies_in_Malaysia
- Bencheikh, F. & Taktak, N. B., 2017. The effect of political connections on the firm performance in a newly democratised country. *Mediterranean Journal of Social Sciences* 8(4): 40-46. <https://doi.org/10.1515/mjss-2017-0004>
- Benmelech, E. & Frydman, C., 2015. Military CEOs. *Journal of Financial Economics* 117(1): 43-59. <https://doi.org/10.3386/w19782>
- Bertrand, M., Kramarz, F., Schoar, A. & Thesmar, D., 2018. The cost of political connections. *Review of Finance*, pp. 849-876. <https://doi.org/10.1093/rf/rfy008>
- Chaney, P. K., Faccio, M. & Parsley, D., 2011. The quality of accounting information in politically connected firms. *Journal of Accounting and Economics* 51(1-2): 58-76. <http://dx.doi.org/10.2139/ssrn.966379>
- Chen, W., Zhou, G. & Zhu, X., 2019. CEO tenure and corporate social responsibility performance. *Journal of Business Research* 95: 292-302. <https://doi.org/10.1016/j.jbusres.2018.08.018>
- Duffy, T., 2006. *Military experience and CEOs: Is There a Link?*, s.l.: KornFerry International Report. Retrieved from <https://www.kornferry.com/institute/190-military-experience-and-ceos-is-there-a-link>
- Elder, G., 1986. Military times and turning points in men's lives. *Developmental Psychology* 22(2): 233-245. <https://doi.org/10.1037/0012-1649.22.2.233>
- Elder, G. & Clipp, E., 1989. Combat experience and emotional health: Impairment and resilience in later life. *Journal of Personality* 57(2): 311-341. <https://doi.org/10.1111/j.1467-6494.1989.tb00485.x>
- Faisal, Barid, B. & Mulyanto, D., 2018. Pendanaan Partai Politik di Indonesia: Mencari Pola Pendanaan Ideal untuk Mencegah Korupsi. *Integritas* 4(1): 265-287. <https://doi.org/10.32697/integritas.v4i1.248>
- Fernandez-Feijoo, B., Romero, S. & Ruiz, S., 2014. Commitment to Corporate social responsibility measured through global reporting initiative reporting: factors affecting the behavior of companies. *Journal of Cleaner Production* 81. 244-254. <https://doi.org/10.1016/j.jclepro.2014.06.034>
- Fisman, R., 2001. Estimating the Value of Political Connections. *American Economic Review* 91(4): 1095-1102. <https://doi.org/10.1257/aer.91.4.1095>
- Fung, S., Gul, F. & Radhakrishnan, S., 2015. Corporate political connections and the 2008 Malaysian election. *Accounting, Organization, and Society* 43(3): 67-86. <https://doi.org/10.1016/j.aos.2015.04.001>
- Funnel, W., 2005. Accounting on the frontline: cost accounting, military efficiency, and the South African war. *Accounting and Business Research*, 35(4): 307-326. <https://doi.org/10.1080/00014788.2005.9729997>
- Göktepe, G. & Satyanath, S., 2013. The economic value of military connections in Turkey. *Public Choice*: 531-552. <https://doi.org/10.1007/s11127-011-9886-8>

ENTREPRENEURSHIP AND SUSTAINABILITY ISSUES

ISSN 2345-0282 (online) <http://jssidoi.org/jesi/>

2019 Volume 7 Number 1 (September)

[http://doi.org/10.9770/jesi.2019.7.1\(39\)](http://doi.org/10.9770/jesi.2019.7.1(39))

- Groysberg, B., Hill, A. & Johnson, T., 2010. Which of these people is your future CEO? The different ways military experience prepares managers for leadership. *Harvard Business Review*: 81-85. Retrieved from <https://hbr.org/2010/11/which-of-these-people-is-your-future-ceo-the-different-ways-military-experience-prepares-managers-for-leadership>
- Habib, A., Muhammadi, A. & Jiang, H., 2017. Political connections, related party transactions, and auditor choice: Evidence from Indonesia. *Contemporary Accounting Research*: 1-19. <https://doi.org/10.1016/j.jcae.2017.01.004>
- Harymawan, I., 2018. Why do firms appoint former military personnel as directors? Evidence of loan interest rate in militarily connected firms in Indonesia. *Asian Review of Accounting* 26(1): 2-18. <https://doi.org/10.1108/ARA-07-2016-0086>
- Heckman, J., 2010. Selection Bias and Self-Selection. In: *Microeconometrics*. London: Palgrave Macmillan: 242-266. https://doi.org/10.1057/9780230280816_29
- Hermawan, A., Aisyah, I. S., Gunardi, A. & Putri, W. Y., 2018. Going Green: Determinants of Carbon Emission Disclosure in Manufacturing Companies in Indonesia. *International Journal of Energy Economics and Policy*, 8(1), pp. 55-61. Retrieved from <https://www.econjournals.com/index.php/ijeep/article/view/6009>
- Huang, H. & Zhao, Z., 2016. The influence of political connection on corporate social responsibility—evidence from Listed private companies in China. *International Journal of Corporate Social Responsibility*: 9-28. <https://doi.org/10.1186/s40991-016-0007-3>
- Human Rights Watch, 2006. *Indonesia: Military Business Threatens Human Rights*, s.l.: Scoop Media Limited. Retrieved from <https://www.hrw.org/news/2006/06/21/indonesia-military-business-threatens-human-rights>
- Kaoe, E. H., Yeh, C.-C., Wang, L.-H. & Fung, H.-G., 2018. The relationship between CSR and performance: Evidence in China. *Pacific-Basin Finance Journal* 51: 155-170. <https://doi.org/10.1016/j.pacfin.2018.04.006>
- Kim, C. & Zhang, L., 2016. Corporate Political Connections and Tax Aggressiveness. *Contemporary Accounting Research* 33(1): 78-114. <https://doi.org/10.1111/1911-3846.12150>
- Law, K. K. F. & Mills, L. F., 2017. Military experience and corporate tax avoidance. *Review of Accounting Studies* 22(1): 141-184. <https://doi.org/10.1007/s11142-016-9373-z>
- Law, K. K. & Mills, L. F., 2015. Managerial Characteristics and Corporate Taxes. *Colloquium On Tax Policy And Public Finance Spring 2015*. Retrieved from https://www.law.nyu.edu/sites/default/files/upload_documents/Lillian%20Mills.pdf
- Law, K. & Mills, L. F., 2013. Following the Rules? Corporate Tax Reporting by CEOs with Military Experience. *SSRN Electronic Journal* <https://doi.org/10.2139/ssrn.2302329>
- Oberholzer-Gee, F. & Leuz, C., 2006. Political relationships, global financing, and corporate transparency: Evidence from Indonesia. *Journal of Financial Economics* 81(2): 411-439. <http://dx.doi.org/10.2139/ssrn.720741>
- Leuz, C., Nanda, D. & Wysocki, P. D., 2003. Earnings management and investor protection: an international comparison. *Journal of Financial Economics*, 69(3), pp. 505-527. [http://dx.doi.org/10.1016/S0304-405X\(03\)00121-1](http://dx.doi.org/10.1016/S0304-405X(03)00121-1)
- Lin, C., Ma, Y., Officer, M. S. & Zou, H., 2011. CEOs' military experience, agency costs and acquisition decisions. *SSRN Electronic Journal*. <http://dx.doi.org/10.2139/ssrn.1932623>
- Lin, K., Mills, L., Zhang, F. & Li, Y., 2018. Do Political Connections Weaken Tax Enforcement Effectiveness?. *Contemporary Accounting Research*: 1941-1972. <https://doi.org/10.1111/1911-3846.12360>
- Martinez-Ferrero, J., Rodriguez-Ariza, L. & Garcia-Sánchez, I.-M., 2016. Corporate social responsibility as an entrenchment strategy, with a focus on the implications of family ownership. *Journal of Cleaner Production* 135: 760-770. <https://doi.org/10.1016/j.jclepro.2016.06.133>

ENTREPRENEURSHIP AND SUSTAINABILITY ISSUES

ISSN 2345-0282 (online) <http://jssidoi.org/jesi/>

2019 Volume 7 Number 1 (September)

[http://doi.org/10.9770/jesi.2019.7.1\(39\)](http://doi.org/10.9770/jesi.2019.7.1(39))

- McChesney, F. S., 1987. Rent extraction and rent creation in the economic. *The Journal of Legal Studies*: 179-196. <https://doi.org/10.1086/467825>
- McGuinness, P. B., Vieito, J. P. & Wang, M., 2017. The role of board gender and foreign ownership in the CSR performance of Chinese listed firms. *Journal of Corporate Finance* 42: 75-99. <https://doi.org/10.1016/j.jcorpfin.2016.11.001>
- Mietzner, M., 2009. *Military Politics, Islam, and the State in Indonesia: from Turbulent Transition to Democratic Consolidation*. Singapore: Institute of Southeast Asian Studies <https://doi.org/10.1355/9789812308450>
- Mietzner, M., 2015. Dysfunction by Design: Political Finance and Corruption in Indonesia. *Critical Asian Studies*: 587-610. <https://doi.org/10.1080/14672715.2015.1079991>
- Mietzner, M. & Misol, L., 2012. Military businesses in post-Suharto Indonesia: decline, reform, and persistence. In: *The Politics of Military Reform*. Berlin and Heidelberg: Springer, pp. 101-120. https://doi.org/10.1007/978-3-642-29624-6_5
- Misol, L., 2006. *Too high a price: the human rights cost of the Indonesian military's economic activities*, s.l.: Human Right Watch. Retrieved from <https://www.hrw.org/report/2006/06/20/too-high-price/human-rights-cost-indonesian-militarys-economic-activities>
- Oh, H., Bae, J. & Kim, S. J., 2017. Can Sinful Firms Benefit from Advertising Their CSR Efforts? Adverse Effect of Advertising Sinful Firms' CSR Engagements on Firm Performance. *Journal of Business Ethics* 134(4): 643-663. <https://doi.org/10.1007/s10551-016-3072-3>
- O'Keefe, B., 2010. Battle-tested: how a decade of war has created a new generation of elite business leaders. *Human Resource Management International Digest* 18(6). <https://doi.org/10.1108/hrmid.2010.04418fad.006>
- Porta, R., Lopez-de-Silanes, F., Shleifer, A. & Vishny, R. W., 1997. Legal determinants of external finance. *The Journal of Finance* 52(3): 1131-1150. <https://doi.org/10.3386/w5879>
- Ramón-Llorens, M. C., García-Mecaa, E. & Pucheta-Martínez, M. C., 2018. The role of human and social board capital in driving CSR reporting. *Long Range Planning*. <https://doi.org/10.1016/j.lrp.2018.08.001>
- Rieffel, A. & Pramodawardani, J., 2007. *Out of Business and on Budget: The Challenge of Military Financing in Indonesia*. MA and Washington, DC: Brookings Institution Press, 356p.
- Shah, A., 2014. Constraining consolidation: military politics and democracy in Pakistan (2007-2013). *Democratization* 21(6): 1007-1033. <https://doi.org/10.1080/13510347.2013.781586>
- Simpson, J. & Sariol, A. M., 2018. Squared Away: Veterans on the Board of Directors. *Journal of Business Ethics*, pp. 1-11. <https://doi.org/10.1007/s10551-018-3907-1>
- Vestergaard, T., 2006. *Government Sets Up Agency to Manage Military-Run Indonesian Businesses*, s.l.: Global Insight Daily Analysis.
- Wang, Z., Reimsbach, D. & Braam, G., 2018. Political embeddedness and the diffusion of corporate social responsibility practices in China: A trade-off between financial and CSR performance?. *Journal of Cleaner Production* 198: 1185-1197. <https://doi.org/10.1016/j.jclepro.2018.07.116>
- Wong, L., Bliese, P. & McGurk, D., 2003. Military leadership: a context-specific review. *Leadership Quarterly* 14: 657-692. <https://doi.org/10.1016/j.leaqua.2003.08.001>

Acknowledgements

This research has received funding from the Tahir World Class Professorship

Mohammad NASIH is the Professor of Department of Accounting, Faculty of Economics and Business, Universitas Airlangga, Indonesia. Currently he is rector of Universitas Airlangga for period 2015 - 2020. He obtained his Doctoral degree (2005) in accounting from Universitas Airlangga in Indonesia, Master degree (1997) in Industry Technology from Institut Teknologi Bandung in Indonesia, Bachelor degree (1991) in accounting from Universitas Airlangga in Indonesia. Research interest: islamic accounting; financial accounting

ORCID ID: orcid.org/0000-0002-7945-7593



Iman HARYMAWAN is an Assistant Professor in the Department of Accounting, Faculty of Economics and Business, Universitas Airlangga, Indonesia. He obtained his PhD degree (2016) in accounting from City University of Hong Kong in Hong Kong, MBA degree (2009) from National Cheng Kung University in Taiwan, and his B.A. degree (2006) in accounting from Universitas Airlangga in Indonesia. His current research focuses include: corporate governance issues, the accounting impact of political and military connections in business, and financial reporting quality. He currently teaches financial reporting analysis, managerial accounting, and advanced accounting. Research interest: board connection; corporate governance, management accounting

ORCID ID: orcid.org/0000-0001-7621-6252



Fajar Kristanto Gautama PUTRA is master student in accounting from Universitas Airlangga in Indonesia. He obtained his bachelor degree (2018) in accounting from Universitas Airlangga. He currently works as reseach assistant in Center of Politic, Economic, and Business Research (CPEBR), a researcher grup that operates under Faculty of Economics and Business, Universitas Airlangga, Indonesia. Research interest: human resources disclosure; sustainability reporting

ORCID ID: orcid.org/0000-0003-1213-0593



Rizka QOTRUNNADA just graduated from Airlangga Universtiy, Indonesia for her bachelor degree in accounting. Previously, she had studied at Airlangga University, Indonesia for her associate degree in accounting too. Research interest: sustainability reporting; corporate governance; financial accounting; taxation

ORCID ID: orcid.org/0000-0002-9864-0596



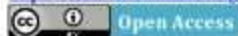
Register for an ORCID ID:

<https://orcid.org/register>

Copyright © 2019 by author(s) and Vsl Entrepreneurship and Sustainability Center

This work is licensed under the Creative Commons Attribution International License (CC BY).

<http://creativecommons.org/licenses/by/4.0/>



MILITARY EXPERIENCED BOARD AND CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE: AN EMPIRICAL EVIDENCE FROM INDONESIA*

ORIGINALITY REPORT

11%

SIMILARITY INDEX

11%

INTERNET SOURCES

8%

PUBLICATIONS

0%

STUDENT PAPERS

PRIMARY SOURCES

1 pure.coventry.ac.uk 3%
Internet Source

2 www.lka.lt 3%
Internet Source

3 www.emeraldinsight.com 2%
Internet Source

4 Pascale Lapointe-Antunes, Denis Cormier, Michel Magnan, Sophie Gay-Angers. "On the Relationship between Voluntary Disclosure, Earnings Smoothing and the Value-Relevance of Earnings: The Case of Switzerland", European Accounting Review, 2006 2%
Publication

5 www.econjournals.com 1%
Internet Source

6 www.cell.com 1%
Internet Source

www.statisticshowto.com

7

Internet Source

1%

Exclude quotes On

Exclude matches < 1%

Exclude bibliography On

MILITARY EXPERIENCED BOARD AND CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE: AN EMPIRICAL EVIDENCE FROM INDONESIA*

GRADEMARK REPORT

FINAL GRADE

/0

GENERAL COMMENTS

Instructor

PAGE 1

PAGE 2

PAGE 3

PAGE 4

PAGE 5

PAGE 6

PAGE 7

PAGE 8

PAGE 9

PAGE 10

PAGE 11

PAGE 12

PAGE 13

PAGE 14

PAGE 15

PAGE 16

PAGE 17

PAGE 18

PAGE 19

PAGE 20

PAGE 21
