Jurnal Ekonomi Manajemen Akuntansi
Volume. 30, Nomor. 2, Tahun 2024
e-ISSN : 2964-5816; dan p-ISSN : 0853-8778; Hal. 126-144
DOI: https://doi.org/10.59725/ema.v30i2.124
Available online at: https://ejournals.stiedharmaputra-smg.ac.id/index.php/EMA

The Power of Knowledge: How CEO Education Shapes CSR Transparency in Indonesian Banks

Satrio Nararya[1], Syahriar Abdullah[2], Rahmatya Widyaswati[3]
Email: thyo.nararya@gmail.com[1], syahriar.abdullah@lecture.utp.ac.id[2], rahmatya@lecture.utp.ac.id[3]
[12,3] Universitas Tunas Pembangunan Surakarta, Indonesia

Alamat: Jl. Walanda Maramis No.31, Nusukan, Kec. Banjarsari, Kota Surakarta, Jawa Tengah 57135

Abstract: *This study examines the impact of CEO education on Corporate Social Responsibility disclosure in Indonesian banks, with a focus on the role of CEO characteristics in shaping corporate social practices. Using data from banks listed on the Indonesia Stock Exchange, the study explores the relationship between CEO education level, CEO background in finance, and CSR disclosure, applying the Upper Echelons Theory (UET) to explain how CEO characteristics influence corporate decision-making. The findings reveal a significant positive relationship between CEO education level and CSR disclosure, suggesting that CEOs with higher education are more likely to lead firms that disclose comprehensive CSR information. Conversely, CEOs with a finance background were found to have a negative impact on CSR disclosure, indicating a preference for financial performance over social responsibility. Additionally, company size was found to significantly influence CSR disclosure, with larger companies more likely to engage in CSR reporting. The study contributes to the growing body of literature on CSR disclosure by highlighting the role of CEO education in shaping corporate transparency, particularly in the banking sector. The findings also underscore the need for a balanced perspective in leadership, where a broader commitment to social responsibility and sustainability complements financial expertise.*

Keywords: *CEO education, CSR disclosure, Upper Echelons Theory, finance background, Indonesian banks*

1. INTRODUCTION

The concept of corporate social responsibility has become a strategic issue in contemporary business literature and practice. Corporate Social Responsibility is a concept that does not have a universally accepted definition (García-Parejo et al., 2023; Nasrullah & Rahim, 2014). However, there are common principles that can be found in most definitions, such as environmental, social, and economic concerns, and attention to stakeholders (García-Parejo et al., 2023; Kloppers & Kloppers, 2018). CSR is considered a social innovation, and its meaning varies with time, context, and perspective (Turker, 2018). According to the World Business Council for Sustainable Development, CSR is defined as the commitment of companies to contribute to sustainable economic development, working with employees and their families, local communities, and society at large to improve the quality of life.

Corporate social responsibility has become an important concept in the business world. Corporate Social Responsibility refers to the idea that companies should act ethically and go beyond legal requirements to contribute to society (Overland, 2013). The implementation of Corporate Social Responsibility practices can benefit businesses

Received: September 26, 2024; Revised: Oktober 11, 2024; Accepted: Oktober 29, 2024; Published: Oktober

by enhancing reputation and brand image (Athanasopoulou, 2014). Corporate Social Responsibility can also provide a competitive advantage through product or brand differentiation (Nasrullah & Rahim, 2014). In addition, Corporate Social Responsibility contributes to the long-term sustainability of businesses by promoting responsible activities and considering the impact on stakeholders (Bakardjieva, 2019).

The purpose of Corporate Social Responsibility disclosure is to enhance corporate reputation, improve financial performance, access investment opportunities, and manage key stakeholders (W. Ali et al., 2022). Companies disclose Corporate Social Responsibility information to demonstrate their commitment to social and environmental issues and contribute to sustainable development (M. Ali et al., 2015). Motivations for companies to disclose Corporate Social Responsibility activities include seeking social legitimacy, economic legitimacy, and differentiation from their competitors (Zampone et al., 2023). The benefits of Corporate Social Responsibility disclosure for companies include improved reputation, improved financial performance, better stakeholder management, and increased attractiveness to investors (W. Ali et al., 2023; Dhaliwal et al., 2014; Xue et al., 2023). However, companies face challenges in making Corporate Social Responsibility disclosures, such as concerns about the completeness and credibility of the information reported, as well as the perception of using Corporate Social Responsibility reporting practices as a symbolic act rather than a real commitment to Corporate Social Responsibility (Govindasamy et al., 2018; Michelon et al., 2015). Other challenges include the lack of international regulations and assurances related to Corporate Social Responsibility disclosure, to ensure the quality and transparency of standardized Corporate Social Responsibility information (Dumez et al., 2013; Maroun, 2020).

As a form of corporate accountability to stakeholders, Corporate Social Responsibility reporting is crucial. In Indonesia, CSR reporting is regulated in Financial Services Authority Regulation No. 51/POJK.03/2017 on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. This regulation requires financial services institutions, issuers, and public companies to implement sustainable finance in their business activities. The implementation of sustainable finance includes several things, including the preparation of a Sustainable Finance Action Plan and its reporting through a Sustainability Report that covers economic, financial, social and environmental performance.

Corporate Social Responsibility disclosure practices in companies in Indonesia are still at an early stage (Ramananda & Atahau, 2020). Furthermore, the level of Corporate Social Responsibility disclosure in companies in Indonesia is still categorized as low (Ameraldo & Ghazali, 2021). Nonetheless, companies in Indonesia are beginning to show early stages of social media-based voluntary CSR disclosure (Ramananda & Atahau, 2020). Overall, it can be concluded that there is a need to improve the practice of Corporate Social Responsibility disclosure in Indonesian companies, and to improve the compliance of Indonesian companies with applicable regulations related to Corporate Social Responsibility disclosure (Ameraldo & Ghazali, 2021; Ramananda & Atahau, 2020).

The topic of Corporate Social Responsibility disclosure has become a topic that has captured the attention of academics. Based on previous research, it can be concluded that Corporate Social Responsibility disclosure is influenced by internal and external factors. Internal factors that are proven to affect Corporate Social Responsibility disclosure include industry sensitivity, company size, profitability, and ownership structure (W. Ali et al., 2022; Andayani, 2020; Budianto & Suyono, 2020; Solikhah, 2016). Furthermore, firm characteristics such as age, firm size, shareholder power, investors, and board of directors are other internal factors that influence Corporate Social Responsibility disclosure (Pratama et al., 2019). Meanwhile, factors such as regulatory pressure, government pressure, media concerns, socio-cultural factors, industry competition, and customer concerns are external factors that influence Corporate Social Responsibility disclosure (W. Ali et al., 2022).

Based on the previous explanation, it can be concluded that previous research has identified various internal and external factors that affect the disclosure of Corporate Social Responsibility in companies. However, there is still a research gap to further explore other internal factors. This study focuses on the internal factors of the company, namely the characteristics of the company's executive leaders. Using the perspective of The Upper Echelons Theory (UET), this study attempts to prove the influence of corporate executives on Corporate Social Responsibility disclosure.

The Upper Echelons Theory (UET) is the dominant paradigm in organizational science that focuses on the influence of top executives on corporate decision making (White & Borgholthaus, 2022). The Upper Echelons Theory (UET) is a concept in the field of strategic leadership that focuses on the influence of the CEO and top management team (TMT) on corporate performance. Furthermore, this theory also explains that the cognitive basis of the CEO is a factor that shapes decision-making and strategic policy selection (Garcés-Galdeano et al., 2021; G. Wang et al., 2016). Based on The Upper Echelons Theory (UET) CEO characteristics, such as education, tenure, and prior career experience, have been shown to influence firm performance and strategic actions (Pham & Tran, 2020; G. Wang et al., 2016). In addition, CEO profiles have been identified and associated with the selection of specific strategic policies (Garcés-Galdeano et al., 2021). Furthermore, it can be concluded that The Upper Echelons Theory (UET) provides insights into the role of CEOs and top management in shaping firm outcomes and strategic decisions. One of the key strategic decisions influenced by CEO and top management characteristics is related to Corporate Social Responsibility disclosure.

CEO characteristics play an important role in strategic decisions regarding Corporate Social Responsibility disclosure. Several studies have provided empirical evidence regarding the influence of CEO characteristics on Corporate Social Responsibility disclosure. Previous research proves that CEO characteristics such as CEO length of service, CEO education, CEO age, CEO compensation, CEO narcissism and CEO power affect Corporate Social Responsibility disclosures made by companies (Chen et al., 2023; Lassoued & Khanchel, 2023; Malik et al., 2020; Muttakin et al., 2018; Rashid et al., 2020). This study will focus on the characteristics of CEO education, this is because CEO education is one of the important individual characteristics that reflect the way of thinking, breadth of insight, and cognitive complexity of a company leader. This is in line with Upper Echelons Theory (UET) which explains that the CEO's cognitive base is a factor that shapes decision making and strategic policy selection (Chen et al., 2023; Garrido-Ruso et al., 2023).

Previous research proves that the educational characteristics of the CEO affect the company's Corporate Social Responsibility disclosure. Some studies prove that CEOs with higher education levels tend to disclose more information about Corporate Social Responsibility (CSR), especially related to Sustainable Development goals (SDGs) (Garrido-Ruso et al., 2023), CEO education is positively related to CSR disclosure in the context of Pakistan (Malik et al., 2020), CEOs with academic backgrounds provide more Corporate Social Responsibility information to company stakeholders (Ma et al., 2020). Based on previous research, the effect of CEO education level on Corporate Social Responsibility disclosure practices in Indonesia still shows mixed results (Dwimartha et al., 2023) and provides evidence that CEO education has a significant effect on

Corporate Social Responsibility disclosure, both positive and negative. Meanwhile, the results of the study (Kwalomine, 2017, 2018) show that the CEO's educational background has no significant effect on the disclosure of Corporate Social Responsibility (CSR). Based on this, it can be concluded that the research gap is still visible because the empirical results in Indonesia are conflicting and inconsistent and not conclusive.

Based on the explanation above, this study will focus on examining the effect of CEO educational characteristics on Corporate Social Responsibility disclosure. Furthermore, this study will focus on examining the effect of CEO education characteristics on Corporate Social Responsibility disclosure in banking in Indonesia. This study uses a sample of banking companies listed on the Indonesia Stock Exchange. The reasons for using banking samples are as follows. First, the banking sector is one of the vital sectors in the Indonesian economy, so bank behaviours and policies have a major impact on society and the environment. Therefore, it is important for banks to implement and disclose their social responsibility and sustainability. Second, regulations such as the Sustainable Finance Roadmap issued by the Financial Services Authority specifically target the banking and finance sector. Third, the banking sector tends to be more standardized and has higher comparability between companies when compared to other sectors, both in terms of financial and non-financial performance such as corporate social responsibility and sustainability reporting (Amidjaya & Widagdo, 2020).

2. REVIEW OF THE RELATED LITERATURE AND HYPOTHESIS DEVELOPMENT

Upper Echelons Theory

From a theoretical perspective, Upper Echelons Theory (UET) suggests that a manager's demographic characteristics and experiences have a significant role in shaping their managerial values and style. This thinking is based on studies (Hambrick & Fukutomi, 1991), which present the argument that managers' personal characteristics and experiences have a direct impact on their decisions and performance. According to this theoretical framework, there is a complex interrelationship between individuals, organizations and the competitive environment they face (Hambrick & Fukutomi, 1991). This means that managers make decisions based on how they interpret the context surrounding the decision. The importance of this aspect is emphasized by highlighting that such interpretations are partial and influenced by managers' personal characteristics and experiences (S. Wang et al., 2015).

Furthermore, studies by (Bamber et al., 2010; Liao et al., 2019) show that differences in decisions taken by managers can be explained by variations in their personal characteristics, espoused values, and cognitive styles. In other words, managers are not only a product of the work environment and organizational demands but also bring their own unique perspectives to the decision-making process. By recognizing that managers' interpretations and decisions can be influenced by these individual factors, companies can better understand the dynamics behind managerial decisions and design more effective strategies based on a deeper understanding of their personal characteristics.

Upper Echelons Theory (UET) is a theory that focuses on the impact of corporate executive characteristics on organizational outcomes. It explains that top executives' backgrounds, values and experiences influence decision-making and firm performance (White & Borgholthaus, 2022). In the context of Corporate Social Responsibility disclosure, Upper Echelons Theory (UET) indicates that the characteristics of top executives can influence the extent and quality of Corporate Social Responsibility disclosure (García-Sánchez et al., 2020). Based on Upper Echelons Theory (UET), top executives' personal attributes, values, and experiences, such as education, age, tenure, and compensation, can influence top executives' decision-making processes, including decisions related to CSR disclosure (García-Sánchez et al., 2020). Upper Echelons Theory (UET) also explains that the cognitive basis of the CEO is one of the factors that shape decision-making and strategic policy selection (Chen et al., 2023; Garrido-Ruso et al., 2023). Furthermore, one of the strategic policies for companies is related to the disclosure of Corporate Social Responsibility (Sitnikov & Bocean, 2017).

CEO education and Corporate Social Responsibility disclosure.

POJK NUMBER 33 /POJK.04/2014 requires members of the board of directors including the CEO to have knowledge and/or expertise in the field required by the Issuer or Public Company. This indicates the importance of education for a CEO. Education can provide knowledge and skills that may be beneficial, but other factors such as experience, and industry-specific knowledge also play a role in a CEO's expertise. In relation to Corporate Social Responsibility disclosure, CEO education plays a crucial role. Furthermore, based on the Upper Echelons Theory (UET) explains that personal attributes, values, and experiences of top executives, such as education, age, tenure, and compensation, can have an impact on the decision-making process of top executives, including decisions related to CSR disclosure (García-Sánchez et al., 2020). Upper Echelons Theory (UET) also explains that the cognitive foundation of the CEO is one of the factors that shape decision-making and strategic policy selection (Chen et al., 2023; Garrido-Ruso et al., 2023). Furthermore, one of the relevant corporate strategic policies is the disclosure of Corporate Social Responsibility (Sitnikov & Bocean, 2017).

Research related to the influence of CEO education has been found to have a significant impact on Corporate Social Responsibility disclosure. Several studies show that CEOs with higher levels of education tend to disclose more information regarding Corporate Social Responsibility initiatives (Garrido-Ruso et al., 2023; Wan et al., 2023). Moreover, CEO education has been positively associated with Corporate Social Responsibility disclosures in the context of Pakistan (Malik et al., 2020). Moreover, studies have found that CEOs with advanced degrees, such as master's or doctoral degrees, are more likely to promote Corporate Social Responsibility disclosures (Wan et al., 2023). These findings suggest that CEO education plays an important role in influencing the level of CSR disclosure in organizations. CEOs with an academic background provide more Corporate Social Responsibility information to the company's stakeholders (Ma et al., 2020). (Dwimartha et al., 2023) provide evidence that CEO education has a significant effect on Corporate Social Responsibility disclosure, both positive and negative. Meanwhile, the results of the study (Kwalomine, 2017, 2018) show that the CEO's educational background has no significant effect on the disclosure of Corporate Social Responsibility (CSR). Based on this, the hypotheses in this study are:

H1: CEO education has a positive effect on Corporate Social Responsibility disclosure.

3. RESEARCH METHODOLOGY

Sample

This research uses a quantitative approach with secondary data obtained from various sources, including the Indonesia Stock Exchange (IDX) website, banking annual reports, articles, and other sources relevant to the research topic. To analyse the data and test the relationship between variables, statistical tests are used with E-Views 10 software. The population in this study includes all banks listed on the Indonesia Stock Exchange in the period 2015 to 2022. From this population, a sample selection was made based on specific criteria relevant to the research objectives. The sample selection criteria in this study are as follows: first, banks listed on the Indonesia Stock Exchange in the period 2015 to 2021; second, banks that did not experience delisting or delisting during that period; third, banks that regularly publish financial reports and annual reports that can be accessed in the period 2015 to 2021; and fourth, banks that contain the necessary information related to the variables in this study.

Dependent variables

In this study, the dependent variable used is the disclosure of Corporate Social Responsibility (CSR). CSR is defined as an effort to improve the quality of life, where companies, as business entities, are responsible for the social conditions of society and the environment. CSR is the way companies organize their business processes to produce products that have a positive impact on the community, both internally (to workers, shareholders, and investors) and externally (to the community, government, and environment) (Rudito et al., 2014). This concept refers to John Elkington's view of the triple bottom line, which emphasizes the importance of corporate attention to three aspects: Profit, People, and Planet.

The measurement of CSR disclosure in this study was modified using principal component analysis (PCA). Two indicators are used to measure CSR: first, CSR disclosures listed in the company's annual report; second, CSR disclosures reflected in media exposure, primarily through the company's website. PCA was chosen because it can reduce the dimensionality of data without reducing the important characteristics of the data so that the analysis results become more straightforward and easier to interpret (Johnson & Wichern, 2007). CSR measurement was conducted by combining these two data sources using PCA, where CSR disclosure results were calculated based on the number of indicators disclosed by the company in accordance with the Global Reporting Initiative (GRI) G4 standard, which provides global sustainability reporting guidelines. CSR disclosure is calculated by matching the items disclosed by the company in the annual report with the GRI G4 indicator list consisting of 91 items. Each disclosed indicator is given a value of 1, while undisclosed indicators are given a value of 0.

Independent variables

The independent variable in this study is CEO education, which consists of two main aspects, namely, the level of education and educational background of the CEO. The CEO's education level reflects individual characteristics that can affect the way of thinking, insight, and cognitive complexity in corporate decision-making. CEOs with higher levels of education tend to be wiser in considering the consequences of decisions taken (Darmadi, 2011; Kagzi & Guha, 2018). The measurement of CEO education level in this study uses an ordinal scale, with a value of 0 if the CEO does not have a minimum degree of "Bachelor", a value of 1 if the CEO has a "Bachelor" degree, a value of 2 if the CEO has a "Master" degree, and a value of 3 if the CEO has a "Doctoral" degree. In addition, the CEO's educational background also plays an important role in decision-making, especially those related to the financial aspects of the company. CEOs with an educational background in finance tend to be more careful in considering financial risks and consequences (Darmadi, 2011; Kagzi & Guha, 2018). A dummy measurement is used to measure the CEO's educational background, with a value of 1 if the CEO has an educational background in finance and a value of 0 if the CEO comes from an educational background other than finance.

In this study, several control variables are used to identify factors that can affect the company's Corporate Social Responsibility disclosure. First, company age is one of the characteristics that show how long the company has been operating and can be an indicator of the company's ability to run its business within a certain period (Bassiouny, 2016). Company age is measured using the natural logarithm proxy of the age of companies officially listed on the Indonesia Stock Exchange. Second, audit quality is measured using a dummy variable, where a value of 1 is given if the company is audited by Big 4 public accounting firm, which is known to have more qualified, experienced, and better knowledgeable human resources compared to non-Big 4 public accounting firm (DeAngelo, 1981). Third, the Capital Adequacy Ratio (CAR), which measures the ability of banking capital to absorb the risk of credit failure, is calculated by comparing capital with total risk-weighted assets, then converted into a percentage (Fatima, 2014). Fourth, the debt-asset ratio (DAR) measures the company's ability to borrow money, calculated by comparing total debt to total equity and then converted into a percentage (Hamzah et al., 2021). Fifth, Return on Assets (ROA) is used as a proxy to measure the level of company profitability, calculated by comparing net income with total assets and converted into a percentage (Wellalage & Locke, 2013). Finally, company size is measured using the natural logarithm proxy of the company's total assets, which describes whether the company is categorized as large or small (Zona et al., 2013).

Econometric strategies

The econometric model used in this study to analyze Corporate Social Responsibility disclosure is explained by the following regression equation:

$$CSR_{Disclosure} = \alpha + \beta_1 ED\_Grade + \beta_2 ED\_Finance + \beta_3 CBIG4 + \beta_4 CCAR + \beta_5 CDAR + \beta_6 CROA + \beta_7 CSIZE + \varepsilon$$

CSR_Disclosure as the dependent variable is measured using the company's discretionary accruals, which reflect managerial policies related to CSR disclosure. ED_Grade measures the CEO's education level using an ordinal scale (value 0 for CEOs without a "Bachelor" degree, value 1 for "Bachelor", value 2 for "Master", and value 3 for "Doctor"). *ED_Finance* measures the CEO's educational background in finance using a dummy (value 1 for CEOs with a finance educational background and value 0 for others). *CBIG4* measures audit quality, using a dummy that takes the value of 1 if a Big 4 public accounting firm audits the company and 0 if a non-Big 4 public accounting firm. *CCAR* is the Capital Adequacy Ratio (CAR), which measures the company's capital adequacy to absorb credit risk, calculated from capital to total risk-weighted assets. *CDER* is the debt-to-asset ratio (DAR), which shows the proportion of debt to equity of the company, measuring the extent to which the company relies on debt for financing. *CROA* is Return on Assets (ROA), which measures the efficiency of the company in generating net income from its total assets. Finally, *CSIZE* measures the size of the company with the natural logarithm of the company's total assets, which is used to distinguish between large and small companies. In all estimations throughout this paper, we incorporate dummy years to consider yearly changes and apply robust standard errors to correct heteroscedasticity and autocorrelation problems.

Table 1. Variable definitions

Variable	Explanations
CSR_Disclosure	Corporate Social Responsibility disclosure, representing discretionary accruals that reflect managerial policies related to CSR disclosure.
ED_Grade	CEO's education level, measured using an ordinal scale (value 0 for CEOs without a "Bachelor" degree, value 1 for "Bachelor", value 2 for "Master", and value 3 for "Doctor").
ED_Finance	CEO's educational background in finance, measured with a dummy (value 1 for CEOs with a finance background and value 0 for others).
CBIG4	Audit quality, using a dummy variable (value 1 for Big 4 public

Variable	Explanations
	accounting firm and 0 for non-Big 4 public accounting firm).
CCAR	Capital Adequacy Ratio, which measures the company's capital adequacy to absorb credit risk, calculated from capital to total risk-weighted assets.
CDAR	Debt-to-Asset Ratio, showing the proportion of debt to asset, measuring how much the company relies on debt for financing.
CROA	Return on Assets, measuring the efficiency of the company in generating net income from its total assets.
CSIZE	Company size, measured by the natural logarithm of the company's total assets.

4. RESULT

Descriptive statistics

Table 2. Descriptive statistics

Variable	Mean	Maximum	Minimum	Std. Dev.	Observations
CSR_Disclosure	0.644	0.870	0.415	0.096	102
ED_Grade	1.510	3.000	0.000	0.609	102
ED_Finance	0.863	1.000	0.000	0.346	102
CBIG4	0.706	1.000	0.000	0.458	102
CCAR	26.405	390.500	12.870	37.170	102
CDER	0.849	0.945	0.519	0.064	102
CROA	0.862	7.900	-8.771	2.209	102
CSIZE	25.402	27.979	21.499	1.606	102

Table 2 presents the descriptive statistics for the variables included in the analysis. The mean *CSR_Disclosure* score is 0.644, with a minimum value of 0.415 and a maximum value of 0.870, reflecting a moderate level of CSR disclosure across the sample. The standard deviation of 0.096 indicates a relatively low variation in CSR disclosure among the firms. The mean for the CEO's education level (*ED_Grade*) is 1.510, indicating that most CEOs hold at least a bachelor’s degree, with values ranging from no degree (0) to a Doctorate (3). The standard deviation of 0.609 suggests some variability in the education levels of the CEOs.

The *ED_Finance* variable, which indicates whether the CEO has a background in finance, has a mean of 0.863, suggesting that most CEOs have finance-related education. The standard deviation of 0.346 reflects moderate variation in this characteristic. For audit quality, as indicated by the *CBIG4* variable, the mean is 0.706, signifying that most companies are audited by Big 4 accounting firms, with a standard deviation of 0.458, indicating variability in audit quality. The Capital Adequacy Ratio (*CCAR*) has a mean of 26.405, with a wide range from 12.870 to 390.500, suggesting significant differences in capital adequacy across firms. The standard deviation of 37.170 reflects high variability in firms' ability to absorb credit risk. The Debt-to-Equity Ratio (*CDER*) has a mean of 0.849, indicating that firms, on average, maintain a relatively high proportion of debt compared to equity, with a narrow range and a standard deviation of 0.064. The Return on Assets (*CROA*) shows a mean of 0.862, with a range from -8.771 to 7.900 and a high standard deviation of 2.209, indicating significant variation in the firms' efficiency at generating profits from their assets. Finally, the mean for company size (*CSIZE*) is 25.402, with a range from 21.499 to 27.979 and a standard deviation of 1.606, reflecting moderate variability in the size of firms across the sample.

Table 3. Matrix Correlation

Correlation t-Statistic	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) CSR_Disclosure	1							
(2) ED_Grade	0.205	1						
	2.093							
(3) ED_Finance	0.002	0.429	1					
	0.023	4.755						
(4) CBIG4	0.258	0.188	0.180	1				
	2.669	1.913	1.832					
(5) CCAR	-0.124	-0.255	-0.261	-0.183	1			
	-1.253	-2.634	-2.703	-1.862				
(6) CDAR	0.092	0.264	0.154	0.152	-0.646	1		
	0.924	2.739	1.558	1.539	-8.462			
(7) CROA	0.244	0.149	0.089	0.288	-0.407	0.175	1	
	2.521	1.503	0.891	3.002	-4.449	1.773		
(8) CSIZE	0.512	0.140	0.159	0.551	-0.321	0.351	0.509	1
	5.963	1.409	1.606	6.602	-3.386	3.744	5.920	

The correlation matrix in Table 3 highlights the relationship between CEO education and CSR disclosure. The variable *ED_Grade*, which represents the CEO's education level, shows a positive correlation with *CSR_Disclosure* of 0.205, with a t-statistic of 2.093, indicating that this relationship is statistically significant at the 5% level. This suggests that CEOs with higher educational attainment are more likely to lead firms that disclose more about their corporate social responsibility activities. Additionally, the correlation between *ED_Finance*, which indicates whether the CEO has a background in finance, and *CSR_Disclosure* is virtually zero (0.002), with a t-statistic of 0.023, showing that this relationship is not statistically significant. This finding suggests that the CEO's background in finance does not have a meaningful impact on CSR disclosure in this sample.

Overall, while the CEO's general education level (*ED_Grade*) is positively correlated with CSR disclosure, the specific educational background in finance (*ED_Finance*) does not appear to significantly influence CSR disclosure practices. These results imply that broader educational achievements may be more influential than specific finance-related education in determining the extent of CSR disclosure.

Baseline regression

Baseline regression in this research using Multiple Linier Regression Analysis (MRA), we incorporate dummy years to consider yearly changes and apply robust standard errors to correct heteroscedasticity and autocorrelation problems.

Table 4. Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ED_Grade	0.044	0.015	2.892	0.005
ED_Finance	-0.061	0.030	-2.075	0.041
CBIG4	-0.021	0.020	-1.049	0.297
CCAR	0.000	0.000	-0.645	0.520
CDAR	-0.005	0.005	-0.934	0.353
CROA	-0.365	0.198	-1.840	0.069
CSIZE	0.040	0.007	5.678	0.000
C	-0.101	0.211	-0.479	0.633
Year Fixed Effect	*Yes*			
R-squared	0.412	Mean dependent var		0.644
Adjusted R-squared	0.325	S.D. dependent var		0.096
S.E. of regression	0.079	Akaike info criterion		-2.123
Sum squared resid	0.543	Schwarz criterion		-1.762
Log likelihood	122.260	Hannan-Quinn criter.		-1.977
F-statistic	4.733	Durbin-Watson stat		1.637
Prob(F-statistic)	0.000	Wald F-statistic		9.567
Prob(Wald F-statistic)	0.000			

The regression analysis reveals several key findings regarding CSR disclosure. *ED_Grade* (CEO's education level) is positively and significantly associated with CSR disclosure (coefficient = 0.044, p-value = 0.005), indicating that higher CEO education levels lead to more CSR disclosure. In contrast, *ED_Finance* (CEO's finance background) has a negative relationship with CSR disclosure (coefficient = -0.061, p-value = 0.041), suggesting that finance-educated CEOs are less likely to disclose CSR information.

Other variables, such as *CBIG4* (audit quality), *CCAR* (capital adequacy ratio), and *CDAR* (debt-to-asset ratio), show no significant impact on CSR disclosure. However, *CROA* (return on assets) exhibits a negative but marginally significant relationship (coefficient = -0.365, p-value = 0.069), implying that more profitable companies tend to disclose less CSR information. *CSIZE* (company size) is positively and significantly related to CSR disclosure (coefficient = 0.040, p-value = 0.000), suggesting that larger firms are more likely to disclose CSR activities. The model has an R-squared of 0.412, indicating that approximately 41.2% of the variation in CSR disclosure is explained by the included variables. The F-statistic (4.733, p-value = 0.000) confirms the model's overall significance. In summary, CEO education and company size are significant factors influencing CSR disclosure, while financial and audit factors appear less impactful.

The regression analysis in this study highlights a significant and positive relationship between the CEO's level of education and CSR disclosure. Specifically, the variable *ED_Grade*, which quantifies the CEO's educational attainment, reveals a coefficient of 0.044 and a t-statistic of 2.892, with a p-value of 0.005, indicating a statistically significant positive effect. This suggests that CEOs with higher educational levels are more likely to lead firms that disclose more CSR-related information. The findings align with a growing body of literature that emphasizes the role of CEO education in shaping corporate behaviors, particularly in the realm of CSR.

Research from various global contexts reinforces these findings. For example, studies on Vietnamese-listed companies have demonstrated that higher levels of CEO education are positively correlated with increased CSR disclosure (Khuong et al., 2024). This aligns with the results from Islamic banks in the MENA region, where CEOs with more advanced educational backgrounds tend to push for greater CSR transparency (Chouaibi et al., 2023). Similarly, research in Spain found that CEOs with higher education levels are more inclined to disclose information about Sustainable Development Goals (SDGs), a key aspect of CSR (Garrido-Ruso et al., 2023c). These studies collectively suggest that CEOs with more extensive educational backgrounds are more attuned to the importance of corporate social responsibility and are more likely to prioritize transparency in their firms' CSR efforts.

Theoretical frameworks further elucidate the mechanisms behind these findings. The Upper Echelons Theory posits that organizational outcomes, including CSR practices, are influenced by the characteristics of top executives, such as their education and cognitive base (Hambrick & Mason, 1984). CEOs with higher education levels are likely to possess a broader understanding of the social, environmental, and ethical responsibilities of business, which may influence their decision to promote and disclose CSR initiatives. In particular, education equips CEOs with critical thinking skills, broader perspectives, and a deeper understanding of the strategic value of CSR, encouraging them to integrate these practices into their corporate strategies.

Furthermore, the Resource-Based View (RBV) theory also provides valuable insight into why CEO education affects CSR disclosure. RBV emphasizes the importance of human capital as a key resource for achieving a competitive advantage. Highly educated CEOs are more likely to have access to diverse knowledge and networks that can foster the development and communication of CSR activities. Education, therefore, acts as a strategic asset, enabling CEOs to recognize the long-term benefits of CSR, such as improved corporate reputation, increased customer loyalty, and enhanced employee satisfaction, all of which are increasingly important in today's business environment.

In addition to the broader theoretical support, empirical studies in various regions have consistently shown that CEO education plays a significant role in driving CSR disclosure. For instance, Chinese-listed companies with CEOs holding an MBA or advanced degrees have been found to be more likely to issue CSR reports (Zhao et al., 2022), further supporting the idea that education plays a crucial role in CSR transparency. Similarly, research conducted in Pakistan found a positive relationship between CEO education and the extent of CSR disclosure, suggesting that educated CEOs are more likely to engage in socially responsible practices (Malik et al., 2020d).

In summary, the findings from this study contribute to the growing body of evidence that CEO education is a critical factor in determining the level of CSR disclosure. Higher educational attainment equips CEOs with the knowledge and skills necessary to understand the strategic value of CSR, leading them to prioritize and disclose CSR initiatives more comprehensively. Theoretical frameworks such as the Upper Echelons Theory and the Resource-Based View further support this relationship by illustrating how CEO education influences organizational behaviours and decision-making. As the business environment continues to evolve, the education level of CEOs will likely remain a key determinant in driving corporate transparency and fostering responsible business practices.

The regression analysis in this study reveals a negative and statistically significant relationship between *ED_Finance*, representing CEOs with a background in finance, and CSR disclosure. Specifically, the coefficient for *ED_Finance* is -0.061, with a t-statistic of -2.075 and a p-value of 0.041, indicating that CEOs with finance-related education tend to lead firms that disclose less CSR-related information. This finding is noteworthy, as it contrasts with the common assumption that CEOs with specialized financial expertise might be more attuned to transparency and broader stakeholder concerns, including CSR.

This negative relationship can be understood from several perspectives. One possible explanation is that CEOs with finance education may prioritize financial performance and profitability over social or environmental considerations. Finance-educated CEOs often have a strong focus on short-term financial outcomes, cost efficiency, and risk management, which may result in less emphasis on non-financial reporting such as CSR activities. This approach aligns with a shareholder primacy model, where the main goal is to maximize shareholder value, and CSR initiatives might be perceived as secondary or less relevant to financial returns. Moreover, finance-educated CEOs may also see CSR disclosure as an additional layer of complexity and risk, particularly in terms of managing public relations and potential legal ramifications. In industries where financial performance is under intense scrutiny, these CEOs may feel that focusing on transparency in financial reporting is more critical than voluntary CSR disclosure. This perspective might explain why, despite the growing importance of CSR in global business practices, CEOs with finance education may view such disclosures as an added burden rather than a strategic asset.

Additionally, the Agency Theory provides a theoretical framework that helps explain this relationship. Agency Theory suggests that there is often a conflict of interest between managers (agents) and shareholders (principals), particularly when it comes to non-financial decisions like CSR. CEOs with a finance background may be more inclined to act in the interests of shareholders by minimizing discretionary spending on CSR-related initiatives, seeing these activities as costs rather than investments that could bring long-term benefits. This results in a more cautious approach to CSR disclosures, which are not directly tied to financial performance. Empirical studies also support this view, showing that CEOs with a financial background may prioritize maximizing shareholder wealth and minimizing costs, often at the expense of broader social responsibilities. For example, research has found that CEOs with strong financial education tend to be more risk-averse and focused on short-term financial results, which can negatively influence their willingness to disclose or invest in CSR practices (Almaiman et al., 2024; Malik et al., 2020d).

In conclusion, the negative effect of finance education on CSR disclosure suggests that CEOs with a finance background may be more focused on financial metrics and shareholder value, potentially neglecting the importance of CSR activities and their disclosure. While CSR is increasingly recognized as a valuable component of a company's reputation and long-term sustainability, finance-educated CEOs may still perceive it as a less pressing priority. This finding highlights the need for a broader perspective in corporate leadership, where financial expertise is balanced with an understanding of the broader societal impacts of business operations.

5. CONCLUSION

In conclusion, this study provides significant insights into the factors influencing CSR disclosure in Indonesian banks, with a particular focus on the role of CEO education. The findings show that CEO education level (*ED_Grade*) positively and significantly affects CSR disclosure. This suggests that CEOs with higher educational qualifications are more likely to lead firms that disclose comprehensive CSR information. This result is consistent with global studies that indicate higher CEO education leads to greater CSR transparency, supporting the Upper Echelons Theory, which posits that CEO characteristics, such as education, influence corporate decision-making. On the other hand, the study reveals that CEOs with a finance background (*ED_Finance*) tend to disclose less CSR information. This negative relationship highlights the possibility that finance-educated CEOs may prioritize financial performance over social responsibility, viewing CSR as secondary or potentially burdensome.

Additionally, the study finds that company size (*CSIZE*) plays a crucial role in CSR disclosure, with larger firms being more likely to disclose CSR activities. However, factors like audit quality, capital adequacy ratio, and debt-to-equity ratio were not found to affect CSR disclosure significantly. These results emphasize the importance of both

CEO education and company characteristics in determining the extent of CSR disclosure, particularly in industries like banking, where public trust and regulatory compliance are vital. In sum, the study contributes to the understanding of how CEO characteristics, especially education, influence CSR practices in Indonesian banks. It underscores the need for a broader view in leadership that balances financial expertise with social responsibility, ensuring that CEOs not only focus on short-term financial outcomes but also consider the long-term benefits of responsible business practices. This research also highlights a gap in existing literature, particularly in the Indonesian context, where CSR disclosure practices are still evolving and need further improvement in terms of transparency and compliance with regulations.

REFERENCES

Ali, M., Haider, M. B., & Islam, M. T. (2015). Revisiting corporate social disclosure in Japan. In Palgrave Macmillan Asian Business Series (pp. 201–235). Palgrave Macmillan. https://doi.org/10.1057/9781137414694_7

Ali, W., Bekiros, S., Hussain, N., Khan, S. A., & Nguyen, D. K. (2023). Determinants and consequences of corporate social responsibility disclosure: A survey of extant literature. Journal of Economic Surveys. https://doi.org/10.1111/joes.12556

Ali, W., Wilson, J., & Husnain, M. (2022). Determinants/motivations of corporate social responsibility disclosure in developing economies: A survey of the extant literature. Sustainability (Switzerland), 14(6), 3474. https://doi.org/10.3390/su14063474

Almaiman, M., Salloum, C., Ramadani, V., Ezzeddine, B. M., & Dana, L.-P. (2024). Institutional dynamics and governance structures in shaping CSR, social entrepreneurship, and private equity investment. Journal of Small Business and Entrepreneurship. https://doi.org/10.1080/08276331.2024.2440834

Ameraldo, F., & Ghazali, N. A. M. (2021). Factors influencing the extent and quality of corporate social responsibility disclosure in Indonesian shari'ah compliant companies. International Journal of Business and Society, 22(2), 960–984. https://doi.org/10.33736/ijbs.3775.2021

Amidjaya, P. G., & Widagdo, A. K. (2020). Sustainability reporting in Indonesian listed banks: Do corporate governance, ownership structure, and digital banking matter? Journal of Applied Accounting Research, 21(2), 231–247. https://doi.org/10.1108/JAAR-09-2018-0149

Andayani, W. (2020). Factors of corporate social responsibility disclosure. Journal of Advanced Research in Dynamical and Control Systems, 12(1), 122–129. https://doi.org/10.5373/JARDCS/V12I1/20201019

Athanasopoulou, P. (2014). Corporate social responsibility as a people caring concept. In Human Rights and Ethics: Concepts, Methodologies, Tools, and Applications (Vol. 3, pp. 1119–1145). IGI Global. https://doi.org/10.4018/978-1-4666-6433-3.ch061

Bakardjieva, R. T. (2019). Bulgarian firms as engines of corporate social responsibility. Ikonomicheski Izsledvania, 28(1), 124–132.

Bamber, L. S., Jiang, J., & Wang, I. Y. (2010). What's my style? The influence of top managers on voluntary corporate financial disclosure. The Accounting Review, 85(4), 1131–1162. https://doi.org/10.2308/ACCR.2010.85.4.1131

Bassiouny, S. W. (2016). The impact of firm characteristics on earnings management: An empirical study on the listed firms in Egypt. Journal of Business and Retail Management Research, 10(3).

Budianto, R., & Suyono, E. (2020). Corporate social responsibility and factors affecting it: An empirical evidence from the Indonesian capital market. International Journal of Economics and Business Administration, 8(1), 239–253. https://doi.org/10.35808/ijeba/422

Chen, L., Liao, C. H., Tsang, A., & Yu, L. (2023). CEO career concerns in early tenure and corporate social responsibility reporting. Contemporary Accounting Research, 40(3), 1545–1575. https://doi.org/10.1111/1911-3846.12874

Chouaibi, J., Jilani, W., & Chouaibi, S. (2023). CEO's characteristics and CSR disclosure: Evidence from Islamic banks across MENA region. Asian Academy of Management Journal, 28(1), 345–375. https://doi.org/10.21315/aamj2023.28.1.14

Darmadi, S. (2011). Board diversity and firm performance: The Indonesian evidence. Corporate Ownership and Control Journal, 8.

DeAngelo, L. E. (1981). Auditor size and audit quality. Journal of Accounting and Economics, 3(3), 183–199.

Dhaliwal, D., Li, O. Z., Tsang, A., & Yang, Y. G. (2014). Corporate social responsibility disclosure and the cost of equity capital: The roles of stakeholder orientation and financial transparency. Journal of Accounting and Public Policy, 33(4), 328–355. https://doi.org/10.1016/j.jaccpubpol.2014.04.006

Dumez, H., Gigout, É., & Journé, B. (2013). Do we need a better regulation of non-financial reporting? [Faut-il mieux réglementer le reporting extrafnancier?]. Revue Francaise de Gestion, 237(8), 76–95. https://doi.org/10.3166/RFG.237

Dwimartha, F., Pramesti, M., Adhi, L., Sulung, K., & Gandakusuma, I. (2023). Peran pendidikan CEO, keberagaman gender, dan dimensi keuangan perusahaan terhadap pengungkapan CSR sektor manufaktur di Indonesia. Jurnal Manajemen dan Usahawan Indonesia, 46(1).