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THE ROLE OF THE QUALITY OF FINANCIAL REPORTS ON THE INVESTMENT EFFICIENCY OF FAMILY FIRMS

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ABSTRACT

The purpose of this research is to demonstrate that investment efficiency can be influenced by corporate social responsibility (CSR) disclosure, good corporate governance (GCG), and the quality of financial reports. It is important to study the issue of investment efficiency when one considers that it is categorized as being poor in Indonesia compared to the average investment efficiency of other ASEAN countries. Meanwhile, research on investment efficiency in Indonesia has yielded inconsistent results. This research is expected to be of benefit to the making of optimal investment decisions—that is to say, neither overinvestment nor underinvestment—in order to improve investment efficiency in Indonesia. This study is piece of archival research that determines its sample using a purposive sampling technique. The test results and analysis will use multiple regression and moderated regression analysis (MRA). The results of this study indicate that CSR and GCG disclosures have a positive effect on investment efficiency and the quality of financial reports can strengthen the influence of CSR and GCG disclosures on investment efficiency.

KEY WORDS

Investment efficiency, CSR, quality of financial reports.

Investment efficiency is an important issue that warrants investigation in Indonesia bearing in mind that the level of investment efficiency in this country is quite poor when compared to the investment efficiency found in other ASEAN countries (Bappenas, 2021). The investment efficiency of companies makes a major contribution to a country's economic growth (Jin & Yu, 2017). Investment efficiency measures a company's ability to carry out all projects with a positive Net Present Value (Biddle, Hilary & Verdi, 2009; Gomariz & Ballesta 2014) and the company's ability to invest optimally, meaning they should neither overinvest nor underinvest (Cook et al., 2018 and Chen et al., 2018 and Chen et al. al., 2011).

According to the Indonesian Institute for Corporate and Directorship (IICD), most companies in Indonesia are family-controlled companies, so they play an important role in the economy (Hanazaki & Liu, 2007 and Claessenss, Djankov & Lang, 2000). The prestige and success of a family dynasty is a motivation to be more responsible for the environment. Corporate social responsibility (CSR) activities strengthen a company's relationship with its environment.

Disclosure of corporate CSR is one of the most basic elements that contribute to corporate GCG. If company disclosure is adequate, it will affect the quality of investment decisions (Cheung, Jiang & Tan, 2010). This is supported by research conducted by Chen, Sun & Yang (2017), Pradhan et al. (2018) and Nor, Nawawi & Salin (2017), which shows that GCG influences investment decisions and investment efficiency. The broad concept of GCG aims to ensure that companies operate using resources effectively and efficiently through external and internal mechanisms. External mechanisms guarantee stakeholder rights including corporate responsibility for environmental sustainability (Garas & ElMasah, 2018).

Stakeholder demands tend to be related to the issue of corporate social responsibility, and this is so for both internal and external stakeholders, ranging from suppliers and employees to consumers and various related parties. Harmonization of various stakeholder interests is needed in order to create value for the company and the surrounding community. The interaction between the company and its environment can be realized through good GCG. The relationship between GCG and CSR can be viewed from various perspectives.

First, GCG can be seen as a prerequisite for CSR sustainability; second, CSR is a dimension of GCG, in the form of a company's responsibility towards its employees and the community; third, GCG and CSR can complement corporate accountability (Garas & ElMassah, 2018). GCG and responsibility to the environment are two moral concepts which underpin a company's relationship with its stakeholders. The responsibility taken for those company activities that have an impact on the environment must be disclosed to stakeholders. Additional information about CSR activities that is not provided by the financial statements will be able to increase investment efficiency (Shahzad et al., 2018 and Zhong & Gao, 2017).

Higher quality of information facilitates greater transparency and greater concern for the issues that are relevant to stakeholders. Financial statements, with their qualitative characteristics, can affect information asymmetry and subsequently have an impact on the quality of decisions. Relevant and reliable financial information will reduce information asymmetry and improve the quality of decisions, including decisions about investment.

The complexity of the problem of investment efficiency and the debate on how CSR affects investment efficiency represent the fundamental problems that are important to address. The factors that affect investment efficiency are the crucial subjects for further research bearing in mind that global conditions are developing rapidly and this requires companies to make more informed decisions.

LITERATURE REVIEW

In accordance with the perspective of the socio-emotional wealth approach, the preservation of socio-emotional wealth causes companies with family ownership to tend to withhold dividends in order to have investment opportunities. For the sake of family prestige or honor, family companies will take risky decisions to maintain socio-emotional wealth even at the expense of economic wealth. Conversely, they will avoid risky decisions that may increase economic wealth but reduce socio-emotional wealth (Tsao, et al, 2017). Family companies also prioritize internal sources of funds and tend to underinvestment (Lin, Wang & Pan, 2015 and Jain & Shao, 2014).

According to stewardship theory, managers align their goals with the principal's goals (Chiang et al., 2015 and Lin, Pan & Wang, 2015). In this study, stewardship theory is used to explain the role of financial statement quality as moderating the effect of corporate CSR and GCG disclosures on investment efficiency. Stakeholder theory and CSR are two concepts that look at the same business problem from different perspectives (Freeman & Dmytriyev, 2017). The similarity of the concept of stakeholder theory and CSR, both emphasize the importance of incorporating the interests of the community into business operations. Stakeholder theory can explain corporate social responsibility associated with investment efficiency in various ways. High CSR disclosure is associated with high investment efficiency (Benlemlih & Bitar, 2018), and GCG encourages CSR disclosure (Hannifa & Cooke, 2005 and Khan et.al., 2013) and corporate GCG has a positive effect on investment efficiency (Jin & Yu, 2017). Stakeholder theory in this study will be used to explain the effect of CSR and GCG on investment efficiency.

GCG had an effect on investment efficiency in China during the period 2003 to 2013 (Jin & Yu, 2017). The proxy for GCG is the networking of company executives and investment efficiency is measured using the Richardson (2006) model. This study used a sample of companies listed on a special stock exchange for the non-financial sector during the period 2003 to 2013. The results of the Pearson and Spearman correlation coefficients show that the better the company's GCG, the better the investment efficiency. Good GCG is able to solve the problem of lack of investment.

The presence of family ownership in the company will encourage companies to disclose CSR (Lamb & Butler, 2016). CSR disclosure is the company's way to satisfy the company's constituents. External stakeholders and the surrounding environment, as a whole, can affect an organization's CSR disclosure (Christman, 2004 and Delmas & Toffel, 2008). Family-controlled companies show more concern for the environment (Berrone, Cruz, Gomez-Mejia & Larraza-Kintana, 2010), focus more on prevention and use conservative

strategies (Deephouse & Jaskiewicz, 2013). Lamb & Butler (2016) examine the effect of family ownership on CSR performance. Their results show that firms with family ownership are able to increase the strength of CSR. The presence of a family CEO can increase the strength of CSR. For the purpose of social wealth, family companies in America have been shown to be more interested in CSR activities (Lamb & Butler, 2016).

CSR disclosure is positively correlated with investment efficiency (Benlemlih & Bitar, 2016). This research, which was conducted during the period 1998 to 2012, finds that companies with good CSR disclosure are companies with good management and low asymmetry levels. Companies with high CSR disclosure are supported by employee solidarity and customer loyalty which improve investment efficiency. The existence of a high commitment to CSR disclosure helps improve investment efficiency, and optimal investment efficiency is generally associated with better financial performance and CSR disclosure.

Alternative CSR measures are alternative investment efficiency measures, bearing in mind that previous research on the effect of family ownership on investment efficiency has yielded inconsistent results (Shahzad et al., 2019 and Jain & Shao, 2014). Companies can identify the most important CSR components in increasing investment efficiency, so CSR disclosure is expected to strengthen the positive influence of family ownership on investment efficiency. Based on this theoretical description and previous research, the following hypothesis is formulated:

H_1: CSR disclosure has a positive effect on investment efficiency.

GCG will create a good relationship pattern between management and stakeholders to optimize the value of the company. The availability of information for stakeholders can be realized through the disclosure of company information, which in turn will affect the quality of investment decisions (Cheung *et al.*, 2010). Transparency, which is one of the important elements of GCG, can be realized through disclosure which can affect the availability of information and reduce information asymmetry. The wider the disclosure, the more complete the information received by decision makers, and so it is expected that the decisions taken would be of higher quality (Cheung *et al.*, 2010). There is a positive relationship between GCG and decision quality, including investment decisions. This is supported by research conducted by Jin & Yu (2017) and Lei & Chen (2019) which finds that GCG has an effect on investment efficiency in China.

One of the fundamentals of GCG is the disclosure of company information. There are two categories of disclosure, namely mandatory and voluntary. Generally speaking, there are more stringent regulatory requirements for mandatory disclosure of information, such as basic accounting, financial, and operational information. Some regulations may require companies to disclose non-financial information, including the company's GCG practices. More voluntary disclosures will increase company transparency and reduce information asymmetry. This disclosure is important in the making of better investment decisions (Cheung et al., 2010)

Investment efficiency is the main step towards optimizing the value of the company. Disclosure is an important process in realizing GCG, which in turn will affect the efficiency and performance of the company (Baek et al., 2009 and Bansal & Sharma, 2016). This is supported by Jin & Yu (2017) whose research conducted in China finds that GCG has a positive effect on investment efficiency. This finding is consistent with the findings of Nor, Nawawi & Salin (2017), Pradhan et al. (2018) and Chen, Sun & Yang (2017). Based on theoretical studies and previous research, the following hypotheses are formulated:

H_2: GCG has a positive influence on investment efficiency.

Previous research has shown that the influence of corporate CSR and GCG disclosures on investment efficiency is inconsistent. Quality financial reports will be able to prevent companies from a situation where they are underinvesting (Aulia & Siregar, 2018). The quality of financial statements is positively correlated with investment efficiency (Mohammadi, 2014). The managers act as stewards showing their self-actualization by making good quality financial reports. Managers' behavior, which is motivated by social perception and self-actualization, means the emergence of conflicts between the interests of managers and the company is avoided (Davis *et al.*, 1997). With quality financial reports,

managers can identify better investment opportunities thereby reducing problems with overinvestment and underinvestment. Good quality financial reports will present reliable figures, so as to reduce information asymmetry and further improve the quality of investment decisions. Conservatism also affects investment efficiency and prevents moral hazard and earnings management that lead to overinvestment (Gomariz & Ballesta, 2014).

The quality of financial statements is a broad construct pertaining to the faithfulness of information presented through the reporting process (Ferrero *et al.*, 2013). The main purpose of financial reporting is to provide useful information to be used in decision making (Choi & Pae, 2011). According to the Financial Accounting Standards Board, the main characteristics a financial statement is required to have are relevance, reliability, transparency, and clarity (Lu *et al.*, 2014). High quality accounting information is valuable information for making decisions (Chen et al., 2011). Based on theoretical studies and previous research, the following hypotheses are formulated:

H_3: The quality of financial statements strengthens the positive influence of CSR disclosure on investment efficiency;

H_4: The quality of financial statements strengthens the positive influence of GCG on investment efficiency.

METHODS OF RESEARCH

The research population is manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2016 and 2020 using the purposive sampling technique. The sample of this study comprises family business enterprises (family-controlled companies) with a total sample of 345 observations.

Investment efficiency in this study will be measured by calculating the absolute residual (Shahzad et al., 2019, 2018; Li & Liao, 2014 and Biddle et al., 2009). The absolute residual is the deviation or error from the optimal investment level from the expected investment level. Positive residuals represent investments in negative NPV projects (overinvestment), while negative residuals represent companies that do not invest in positive NPV projects (underinvestment). Next, the absolute residual is multiplied by 1; higher absolute value of residual means greater investment efficiency and vice versa.

The formula for investment efficiency is as follows:

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

Where: $Investment_{i,t}$ = total investment of the company in the year t; $Sales\ Growth_{i,t-1}$ = change in company sales in year t compared to year (t-1).

The measurement of CSR disclosure uses the quality disclosure model proposed by Raar (2002). The quality component of CSR disclosure ranges from scores of 1 to 7: the quality of disclosure gains a score of 1 if the CSR disclosure is only in monetary units; a score of 2 if CSR disclosure is in numerical units such as weight, volume, size and others; a score of 3 if the disclosure is only in descriptive description; a score of 4 if the disclosure is in the form of a descriptive description and monetary units; a score of 5 if the disclosure is in the form of a descriptive description and non-monetary units (numeric); a score of 6 if the CSR disclosure is in the form of monetary and non-monetary units (numeric); and a score of 7 if the CSR disclosure is in the form of a descriptive explanation, and in monetary and non-monetary units (numeric).

GCG in this study is measured by the disclosures presented by the company in the GCG report or the company's annual report. By using the Indonesia Corporate Governance Manual (IFC, 2018), the disclosure score of each company will be calculated in each year of observation. There are nine (9) principles of material information disclosure recommended by the OECD (best practice), which will be used as the basis for determining the score for the disclosure presented by the companies: those that do not provide minimum disclosure will be given a score of 1; companies with disclosures that meet the minimum compliance standards are given a score of 2; while companies that exceed the minimum requirements are given a

score of 3. Therefore, companies with better quality disclosure practices will have the higher scores (Cheung et al. al., 2010).

The quality of financial statements in this study is accrual quality and is measured using an accrual quality model (Jones et al., 2008 & Kothari et al., 2005). This uses the total accruals calculated from the difference between income and operating cash flow. This model sees the relationship between total assets, changes in income, changes in receivables, plant, property and equipment value, and return on investment. Absolute residual error **($\varepsilon_{I,t}$)** is a proxy for accrual quality, where higher the error values correspond to lower accrual quality. In this study, the absolute value of the residual error as a proxy for the quality of financial statements will be multiplied by 1, so a higher residual value indicates a higher quality of financial statements. The equation for the accrual quality model is as follows:

$$TA_{i,t}=\beta_0+\beta_1(1/AT_{it-1})+\beta_2(\Delta REV\Delta AR)+\beta_3 PPE_{it}+\beta_4 ROA_{it}+\varepsilon_{I,t}. \quad (2)$$

Where:

$TA_{i,t}$ = Total Accruals, namely the difference between CFO income of company i year t;
$AT_{i,t-1}$ = Total Assets at the beginning of the company year I;
$REV_{i,t}$ = Change in company i's income in year t;
$AR_{i,t}$ = Change in accounts receivable of company i in year t;
$PPE_{i,t}$ = GrossProperty, Plant and Equipment of company i in year t;
ROA_{it} = Return on Assets of company i in year t.

Data analysis is a series of procedures for reviewing, grouping, systematizing, interpreting and verifying data so that the phenomenon being scrutinized has social, academic and scientific value. The data analysis used in this research is panel data analysis, because it uses cross section data and time series data. This study uses multiple regression and moderated regression analysis. Before performing this regression analysis, descriptive statistics and classical assumption tests must be applied to the model that is being used. Data processing will be assisted by the Statistical Package for Social Science (SPSS) program.

RESULTS AND DISCUSSION

The investment efficiency of manufacturing companies listed on the Indonesia Stock Exchange (IDX) in between 2016 and 2020 is a lowest volume of -24.15 a highest value of -0.02. The company with the highest investment efficiency was TRIS in 2017, while the lowest investment efficiency was seen at PRAS in 2020. The average investment efficiency is -2.67 and the standard deviation is 3.29, meaning that investment efficiency is centered at -2.67 ± 3.29, as presented in Table 5.1. This shows that the average investment efficiency of family companies on the IDX is still not optimal and tends to be categorized as underinvestment.

Table 1 – Descriptive Analysis

Variable	Minimum	Maximum	Average	Standard Deviation
Investment Efficiency (Y)	-24,15	-0,02	-2,67	3,29
Quality of Financial Reports (Moderating)	-259.782,61	-0,12	-3.338,54	14.823,36
Corporate Social Responsibility (X_1)	0,00	7,00	3,49	1,35
Good Corporate Governance (X_2)	1,00	3,00	1,58	0,89

The average value of the quality of financial reports is -3,338.54; the maximum value is -0.12, and the minimum value is -259,782.61. A negative value means that the quality of the company's financial statements is not good. The company with the lowest quality of financial reports was ASII in 2017. By contrast, the quality of the financial reports of HDTX in 2019 was the highest.

Only 3.2 percent of companies obtained a score of 7 (the maximum score), meaning that they fully disclosed their CSR activities, qualitatively and in monetary and non-monetary terms too. The companies with complete social responsibility disclosures are SIDO, JPFA,

ICBP, BRPT, PTSN, KINO, and TPIA. This shows that many companies' awareness is still too low for them to fully disclose their social responsibility activities. The average value was 3.49, indicating that the dominant company obtained a score of 3, which means that CSR disclosure is qualitative, in the form of a description of CSR activities that have been carried out by the company.

The assessment of GCG based on the Indonesian Corporate Governance Manual (2018) followed the model of Cheung et al. (2010) and it indicates that 27.8 percent of companies obtained a score of 3, meaning that they had disclosed more than the minimum requirements along with additional voluntary disclosures. Only 2.1 percent obtained a score of 2, which means they fulfilled the minimum disclosure requirements. A preponderance of the companies obtained a score of 1 (70.1 percent), meaning that most had not met the minimum disclosure requirements.

The results of this study indicate that CSR disclosure has a positive effect on investment efficiency in Indonesia. Table 5.2 shows that the X_1 variable, namely CSR disclosure, produces a significance value of 0.049. A significance level below 0.05 or below 5 percent means that CSR disclosure has a significant effect on investment efficiency. A positive beta value of 0.190 shows that CSR disclosure has a positive effect on investment efficiency. The more CSR activities the company carries out, the higher the investment efficiency.

The results of this study indicate that GCG has a positive effect on investment efficiency in Indonesia. Table 5.2 shows that the X_2 variable, namely the company's GCG, produces a significance value of 0.047. A significance level below 0.05 or below 5 percen means that GCG has a significant effect on investment efficiency. A positive beta value indicates that GCG has a positive effect on investment efficiency. The better the GCG disclosures made by the company, the higher the investment efficiency.

Table 5.2 shows that the moderating variables, namely the quality of financial statements, CSR disclosure and investment efficiency, have a significance value of 0.03. A significance value below 0.05 or below 5 percent means that the quality of financial reports is able to strengthen the effect of CSR disclosure on investment efficiency. This illustrates that a good quality report will lead to a stronger influence of CSR disclosure on investment efficiency.

Table 5.2 shows that the moderating variables, namely the quality of financial statements, GCG disclosure, and investment efficiency, have a significance value of 0.037. A significance level below 0.05 or below 5 percent means that the quality of financial reports is able to strengthen the influence of GCG disclosure on investment efficiency. This illustrates that a good report quality will lead to a stronger influence of GCG disclosure on investment efficiency.

Table 2 – Results of Hypothesis Testing

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.239	0.034		70.039	0.000		
	x1 (CSR)	0.190	0.097	0.120	10.972	0.049	0.717	1.394
	x2 (GCG)	0.176	0.088	0.105	10.994	0.047	0.950	1.052
	x1m	0.145	0.066	0.140	20.179	0.030	0.644	1.552
	x2m	0.413	0.197	0.152	20.098	0.037	0.503	1.988

Dependent Variable: Y (Investment Efficiency).

DISCUSSION OF RESULTS

In general, this study finds that family-owned companies in Indonesia tend to underinvest. CSR and GCG disclosures have a positive effect on investment efficiency, and the role of the quality of financial reports can strengthen the positive influence of CSR and GCG disclosures on investment efficiency. It is important that these factors are considered

when making investment decisions, both by investors and by company management. In making investment decisions, investors who plan to invest in family-owned companies, it is important that they consider these three things. Investors should invest in companies that have high CSR disclosures and good GCG disclosures. Investors are also required to consider companies with good financial reporting quality, because the quality of financial reports can strengthen the influence of CSR and GCG on investment efficiency.

In addition to investors, the company's management also has an interest in investment efficiency. Management can improve investment efficiency by increasing CSR disclosure, GCG, and the quality of financial reports. The higher the company's CSR and GCG disclosures, the better the investment efficiency will be. Likewise with the quality of financial reports; the management must improve the quality of the financial statements presented, because this will strengthen the positive influence of CSR and GCG disclosures on investment efficiency.

CSR disclosure has a positive effect on investment efficiency. In accordance with socio-emotional wealth theory, family-owned companies prioritize non-economic issues such as family honor even though they have to sacrifice opportunities to gain economic benefits. Preservation of socio-emotional wealth, such as maintaining family dynasties and passing on the business to the next generation, is the main goal of family companies even though they have to take economically risky decisions (Tsao *et al.*, 2017). CSR activities are one way for family companies to maintain the company's name and the family dynasty. Family companies tend to consider social factors such as CSR in decision making. CSR activity is a strategy to increase investment efficiency (Lamb & Butler, 2016). So, the more CSR activities that are carried out increase and disclosed by the company, the more the investment efficiency will increase.

GCG has a positive effect on investment efficiency. One way to realize GCG is by disclosing company information. GCG is important in determining investment efficiency, which shows how well companies invest their assets (Chen *et al.*, 2017). These findings are consistent with those of Nor et al. (2017) which also support the results of research by Bansal & Sharma (2016) and Jin & Yu (2017). The company benefits if it adopts the required GCG or operates in accordance with the regulations. GCG is a bridge to the company's growth. One way to increase company growth is investment efficiency.

In this study, there are 27.8 percent of family-owned companies with a score of 3 for GCG, meaning that they have made voluntary disclosures in addition to the minimum ones required by the Indonesian Corporate Governance Manual. This affects the quality of information and in turn will have an impact on the quality of investment decisions. GCG will be realized through harmonious management and stakeholder relationships. GCG is needed by management to increase the value of the company. Networking with stakeholders, such as employees, suppliers, and customers is very important. In accordance with stakeholder theory, companies cannot grow and develop without stakeholders. So, naturally, the company must provide benefits to stakeholders. This can be realized with GCG so that a harmonious relationships are established between the company and its stakeholders. Stakeholders can also be a control for the company in managing its assets so that the GCG mechanism can improve investment efficiency (Chen *et al.*, 2017).

GCG can affect the quality of information and control the mechanisms of the company's investment policies that affect the use of long-term funds and the company's financial performance. The larger the investment, the higher the risk that must be borne by the company, so investment decision makers must consider investment efficiency. The value of the company is also determined by the efficiency of the investment made by the company.

The quality of financial statements is able to moderate the effect of CSR disclosure on investment efficiency. Management's efforts to present quality financial reports in accordance with stewardship theory are used for investment decision making. There is a significant role of the family in the company's policy mechanism, so non-economic factors that are closely related to the preservation of the family dynasty are important considerations. The presence of family in the company is able to influence company policies, including CSR disclosure (Lamb & Butler, 2016). CSR disclosure is one way to show the company's concern for

stakeholders. Considerations of the company's name and reputation can affect CSR disclosure. Family-controlled companies show more concern for the environment, focus more on prevention, and use conservative strategies (Berrone et al., 2010). It has been found that firms with family ownership were able to increase the power of CSR. Alternative CSR strategies are alternative investment efficiency measures. Companies are able to identify CSR components that can increase efficiency. This study finds that the quality of financial statements can reduce underinvestment. Good quality financial reports can strengthen the effect of CSR disclosure on investment efficiency.

Family-owned companies have a special agenda and are active in social activities such as CSR although they still have a profit orientation. Family companies tend to care more about the social environment, focus on prevention, and deal less with business risks (Gómez-Mejía, Takács Haynes, et al., 2007). Companies use CSR as a means to gain legitimacy and meet the expectations of the community or its constituents. The prestige and identity of family dynasties, which are part of their socio-emotional wealth, are also important considerations in carrying out CSR activities and are an appropriate means of gaining legitimacy.

Corporate GCG has a close relationship with CSR and this can be seen from various perspectives. First, GCG can be seen as a prerequisite for CSR sustainability. Second, CSR, as a dimension of GCG, forms part of the corporate responsibility to employees and society. Third, GCG and CSR can complement corporate accountability (Garas & ElMassah, 2018). This shows that GCG plays an important role in companies gaining legitimacy in the yes of the community through CSR disclosure.

Through good quality financial reports, GCG has a stronger effect on investment efficiency. GCG determines the company's transparency and accountability practices. The quality of the company's financial reports is a form of transparency and accountability to stakeholders. The quality of financial reports is in line with investment efficiency, thereby strengthening the influence of GCG on investment efficiency. The quality of financial reports is able to moderate the effect of GCG on investment efficiency. The quality of financial reports is able to moderate the effect of GCG on investment efficiency.

CONCLUSION

The efficiency of corporate investment in Indonesia includes the issue of underinvestment. The results of this study indicate that the key factor underpinning what can be done to increase investment efficiency is the quality and quantity of disclosure. Companies can increase investment efficiency by increasing CSR and GCG disclosure. There are still many public companies that do not meet the minimum CSR and GCG disclosure criteria. It is also important that the quality of financial reports is considered by the management of family-controlled companies because it can strengthen the influence of CSR and GCG disclosures on increasing investment efficiency.

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