Peer-Reviewed Article

Jurnal Keuangan dan Perbankan
Volume 26, Issue 4 October 2022, page. 960-976
ISSN: 1410-8089 (Print), 2443-2687 (Online)
DOI: 10.26905/jkdp/v26i4.8968

Can Foreign Ownership Moderate the Relationship Corporate Social Responsibility and Financial Performance?

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Abstract

COVID-19 is a global health pandemic that is currently sweeping the world and had huge impact on the world economy. Currently, all countries, including Indonesia, are paying attention to how the development of this pandemic is, as evidenced by the many media that inform the development of the pandemic and the response given by the government in overcoming it. This study was conducted with the aim of investigating how the influence provided by government information and policies related to COVID-19 on returns and stock volatility in Indonesia. Empirical findings from this study show that information on the COVID-19 pandemic (GSVI Covid), the number of positive cases, death rates, and the government tightening index during the pandemic, seem to have a negative effect on stock returns and vice versa have a positive effect on volatility. Meanwhile, with the information on the COVID-19 vaccine (GSVI Vaksin), fiscal policy in the form of growth in government spending, as well as monetary policy in the form of growth in the money supply is said to have a positive influence on stock returns, as well as reduce excessive volatility in the market.

Keywords : corporate social responsibility; financial performance; foreign ownership
JEL Classification : G30, G32, G34

1. PRELIMINARY

*Financial performance*Banking in Indonesia has fluctuated. In 2020, the profitability of state-owned banks has decreased. The profitability of PT Bank Negara Indonesia Tbk (BNI) has decreased by 78.68% on an annual basis. BNI's net profit in 2020 was only IDR 3.28 trillion, while in the previous year it was able to pocket a profit of IDR 15.38 trillion. Meanwhile, the net profit of PT Bank Tabungan Negara Tbk (BTN) in 2020 was recorded as having the smallest value, namely IDR 1.6 trillion. However, BTN's net profit was the only one that grew, even significantly, namely 666.51% compared to 2019 which was only IDR 209 billion. This significant increase in net profit was caused by a decrease in interest expense which was higher than the decrease in loan interest (CNBC Indonesia Research Team, 09 February 2021).

At the end of 2021, banking financial performance will increase. This can be seen from bank credit, reduced risk of bad credit, increased third party funds and increased bank capital. The Financial Services Authority (OJK) recorded bank credit increasing by 2.21% year on year (yoy) to IDR 5,652.8 trillion as of September 2021. In addition, the quality of bank credit continues to improve as reflected in the ratio of bad loans or non-performing loans (NPL). at the level of 3.22% in September 2021. Even though last August and July it was stagnant at the highest level of 3.35%. Meanwhile, Third Party Funds (DPK) grew by 7.69% yoy to IDR 7,162.3 trillion. This value continues to increase compared to August 2021 worth IDR 7,059.5 trillion. The liquidity of the banking industry is at an adequate level. The ratios of liquid assets/non-core deposits and liquid assets/DPK were at the level of 152.8% and 33.53%, respectively. This achievement was far above the threshold of 50% and 10% respectively. The capital of financial service institutions is monitored to be strong. Reflected in the banking industry's Capital Adequacy Ratio (CAR) of 25.24% as of September 2021. Even though the banking CAR in August 2021 was only 24.41% (Wimbo Santoso, 2022)

This research raises the issue of the fluctuating financial performance of banks in Indonesia. There are several factors that influence banking financial performance, one of which is Corporate Social Responsibility (CSR). Research on CSR on financial performance is an interesting topic to be studied. This is because the results of CSR research on financial performance are inconsistent. Research conducted byZhou et al. (2021)on Chinese banking shows that CSR will increase the bank's financial burden in the short term, andnegative impact on the bank's financial performance. However, in the long run, CSR is likely to generate more incentives for bank stakeholders. For example, will increase information transparency, reduce bank environmental risks. All This will improve the bank's financial performance. According toMaqbool & Zameer (2018),CSR has a positive and significant effect on*financial performance* banks in India.The results of the study provide great insight for business, to integrate CSR with business strategy,and changing the company's business philosophy from a profit-based business orientation to a community-based social responsibility business. Research conducted by Gantino (2016) shows that CSR has no effect on financial performance. This is because the company avoids providing relevant information.

According toMaqbool & Zamir (2021)CSR develops as an important framework for banks to engage with their stakeholders. CSR is an important criterion for assessing banking financial performance. This shows that CSR is related to the financial performance of a bank which is contained in the banking annual report. By carrying out the CSR program it can be seen how the financial performance of a bank is. According to Evans and Kartiningdyah (2019) financial performance can describe the financial condition and welfare of a company within a certain period of time.

The foreign ownership variable in previous studies focused on the independent variables. This is in accordance with researchDoddy Setiawan (2018)which shows foreign directors have a negative effect on CSR. This shows that the presence of foreign directors actually results in a decrease in the company's CSR performance. Research(Setiawan et al., 2021)results that foreign board involvement has a positive effect on corporate social responsibility performance. Researchers examined aspects of foreign ownership and foreign boards. The results of the study provide empirical evidence about the effectiveness of foreign ownership and foreign boards to improve corporate social responsibility performance. Foreign ownership forces management to be more involved in corporate social responsibility activities.

Several previous studies used foreign ownership as a moderating variable. But the results of previous studies are still mixed.In the context of financial performance, the foreign ownership variable has been studied several times by researchers in relation to it as a moderating variable in relation to financial performance and corporate social responsibility performance or CSR disclosure (Doddy Setiawan, 2018;Kabir & Thai, 2021; Setiawan, 2021;Amalia et al., 2022; Ghofar & Noviandry, 2018). This research provides empirical evidence that foreign ownership moderates the relationship between CSR and financial performance.

Setiawan's research (2021) results in foreign boards further increasing corporate social responsibility activities. Foreign owners tend to control and monitor CSR activities. The researcher focuses on foreign owners whose size is more comprehensive by considering all managerial involvement in the company. These results suggest that a company having international board members is not a bad idea, especially if the company wants to increase its CSR activities. Study Kabir & Thai (2021) examines foreign ownership and CSR practices in companies in developing countries. Researchers find that foreign ownership, international orientation, gender diversity, and CEO education positively influence CSR. Ghofar & Noviandry research results (2018)shows that banks with foreign ownership have a strong and positive relationship with technical efficiency. In line with existing literature on emerging markets, foreign owned banks appear to be more efficient than fully domestic owned banks.

This study examines foreign ownership actually functions as an independent variable or as a moderating variable that strengthens the relationship between CSR and financial performance.Foreign ownership affects the profitability of companies that produce good financial performance because foreign investors in companies have more experience and good financial management, as well as a higher supply of capital which can improve the company's financial performance. Foreign ownership is usually better able to resolve agency conflicts and apply standards to management that refer only to management's interests but pay attention to the interests of the owner so as to produce better financial performance.(Sari, 2020).In a study conducted by.ResearchSetiawan (2021)results that foreign board involvement has a positive effect on CSR performance. Research resultSetiawan et al. (2021)provide empirical evidence on the effectiveness of foreign ownership and foreign boards to improve CSR performance.

This study contributes to the existing literature regarding financial performance in the following dimensions. First, this study retests and determines foreign ownership as an independent variable or moderating variable. According to researchSari (2020), foreign ownership affects the company's profitability. ResearchSetiawan et al. (2021)results that foreign board involvement has a positive effect on CSR performance. Furthermore, improving banking financial performance can improve the country's economy. Banking must focus on improving financial performance in addition to focusing on increasing CSR. The results of this study are expected to be a consideration for banks to pay more attention to CSR in improving financial performance.

The novelty of this study is using foreign ownership as an independent variable as well as a moderating variable because looking at the phenomena in 2020 and 2021, the shares owned by foreign investors in those years have decreased. But the results of the researchSari (2020).revealed that foreign ownership has a positive and significant effect on corporate financial performance. Research resultSetiawan (2021)shows that foreign board involvement has a positive effect on corporate social responsibility performance. In addition, the existence of inconsistencies in previous research made researchers interested in conducting research on CSR on financial performance with foreign ownership as a moderating variable.

2. HYPOTHESIS DEVELOPMENT

ResearchMaqbool & Zameer (2018) shows that CSR has a positive impact on the financial performance of banks in India. The findings of this study provide good insights for management, to integrate CSR with business strategic goals, and renovate their business philosophy from a traditional profit-oriented approach to a socially responsible approach.ResearchSalehi (2018)generating investment in CSR activities has a positive and significant impact on the company's financial performance which is proxied by changes in return on assets (ROA). In addition, the findings confirm a positive and significant relationship between CSR spending and firm financial performance as proxied by future changes in return on assets and future changes in operating cash flows scaled by total assets. Research conducted Research resultsLou (2020)provides evidence of a positive relationship between financial performance and CSR disclosure that supports the theory of voluntary disclosure. Researchers found that internal corporate governance best practices associated with environmental performance resulted in better disclosure of CSR information. Separation of board chair and CEO, establishment of ESG committee and board gender diversification improves environmental performance and discloses more CSR-related information. StudiesWu & Shen (2013)produceCSR is positively related to financial performance in terms of return on assets, return on equity, net interest income and non-interest income. Conversely, CSR is negatively associated with non-performing loans.That is, CSR can affect the function of costs and revenues. When a bank undertakes CSR, even though costs increase, the bank's income also increases even more.

Research conductedZhou (2021)shows that CSR will have a positive impact on the bank's financial performance in the long term. Implementation of social responsibility will bring a good reputation for the bank itself and enable banks to obtain prospective customers and government support. CSR will tend to generate more incentives for banking stakeholders. For example, increasing information transparency, reducing bank environmental risks. All of this will improve the bank's financial performance. Research conductedXu et al., (2021) show thatcorporate environmental responsibility (CER) increased financial performance as a proxy for Return of Equity (ROE) of 2.62%. Asset turnover contributed to a large extent for the increase in ROE.In particular, the main driving forces of the increase in ROE are tax expense, interest expense, asset turnover and operating profit margin. Studies conductedOkafor et al., (2021) shows that technology companies that spend more on CSR experience corresponding increases in revenue and profitability.These findings imply that technology companies in the US can improve their financial performance and competitive advantage by utilizing CSR as a corporate strategy.

Based on the theoretical studies and research results, the first hypothesis in this study is:

H1 = CSR has a positive effect on financial performance in banks in Indonesia

Gunawan & Yuanita (2018)argue that*financial performance*is a description of the financial status of the company/banking. Financial analysis tools can be used to analyze*financial performance*bank,which reflects the performance of the bank during a certain period of time. Several financial ratios that will be used in this study are Return On Assets (ROA), Return On Equity (ROE), and Net Profit Margin (NPM). Financial performance of banks in Indonesia can be strengthened by foreign ownership. Foreign ownership of Indonesian banking is expected to have a positive impact on all parties. One way of testing is by disclosing CSR, which shows whether banks with high foreign ownership can voluntarily carry out CSR.

Kabir & Thai (2021)conducted research on the factors that determine CSR practices in companies in Vietnam.The results of his research provide evidence that foreign ownership, international orientation, gender diversity, and CEO education have a positive effect on CSR. Researchthat was done by Setiawan et al., (2021)results that foreign board involvement has a positive effect on corporate social responsibility performance. We examine aspects of foreign ownership and foreign boards. Our research results provide empirical evidence on the effectiveness of foreign ownership and foreign boards to improve corporate social responsibility performance. Foreign ownership forces management to be more involved in corporate social responsibility activities. Foreign owners use their discretion to encourage management to pay more attention to corporate social responsibility and increase the company's involvement in corporate social responsibility activities. Therefore, foreign ownership has a positive effect on corporate social responsibility.

In the context of financial performance, the foreign ownership variable has been studied several times by researchers in relation to it as an independent variable in relation to financial performance and corporate social responsibility performance or CSR disclosure (Doddy Setiawan, 2018;Kabir & Thai, 2021; Setiawan, 2021;Amalia et al., 2022; Ghofar & Noviandry, 2018). This research provides empirical evidence that foreign ownership moderates the relationship between CSR and financial performance.

Based on the research studies above, the second hypothesis in this study is:

H2 = Foreign ownership moderates the relationship between CSR and financial performance in banks in Indonesia.

3. METHODS, DATA AND ANALYSIS

Population and Sample

Population inIn this research, there are 43 banks on the IDX from 2015 to 2020.or 258 research data. However, banks that have complete data and become research samplesas many as 41 banks. After selecting the sample using the purposive sampling method, 246 research data were obtained as samples. The sample for this study is a bank whose data is available consistently for the entire time period from 2015 to 2020, totaling 41 banks and 246 research data were obtained..This study uses banking because banking is a company engaged in the financial sector and as state financial stability so that it requires good financial performance.

Operational Variables

Variables and measurement methods used in this study are as follows:CSR can be calculated by the number of CSR items adopted by the company (banking) divided by the total number of CSR items(Maqbool & Zamir, 2021).This study uses the dependent variable*financial performance*as measured by using proximate profitability by Return On Assets (ROA), Return On Equity (ROE), and Net Profit Margin (NPM). ROA can be calculated by dividing net profit by total assets(Zhou et al., 2021b). Banking ROE can be calculated by dividing net income by shareholder equity(Rodriguez-Fernandez, 2016). NPM is calculated by dividing net profit by total revenue(Ramzan et al., 2021).

The moderating variable in this study is foreign ownership. Foreign ownership is measured by the percentage of total outstanding shares owned by foreigners(Kabir & Thai, 2021).Control variables consist of corporate governance, banking size, banking age, firm value, revenue growth and the year of covid.*Corporate governance*can be measured through the corporate governance disclosure index and can be calculated by the amountcorporate governance index items adopted by companies (banks) divided by the total number of corporate governance items.Banking size is measured by means of total assets in the natural log(Chapagin, 2021). Banking age is the number of years of operation or how long the bank has been operating(Ramzan et al., 2021). Company value is proxied byPBVwhich can be calculated using the ratio of the stock price to the book value of the stock(Sayekti, 2015).Revenue growth can be calculated by comparing final income minus initial income, then divided by initial income(Okafor et al., 2021). The year of covid is the year of occurrence of covid-19. The covid year is measured by a dummy variable, the value is 1 if the year is a covid year, the value is 0 otherwise.

Data analysis method

The author develops a research model as follows:

$$FP_{1.t} = \alpha + \beta_1 CSR_{1.t} + \beta_2 CG_{1.t} + \beta_3 SIZE_{1.t} + \beta_4 AGE_{1.t} + \beta_5 PBV_{1.t} + \beta_6 GROWTH_{1.t} + \beta_7 COVID_{1.t} + \varepsilon_{1.t} \quad (1)$$

$$FP_{1.t} = \alpha + \beta_1 CSR_{1.t} + \beta_2 ASING_{1.t} + \beta_3 CG_{1.t} + \beta_4 SIZE_{1.t} + \beta_5 AGE_{1.t} + \beta_6 PBV_{1.t} + \beta_7 GROWTH_{1.t} + \beta_8 COVID_{1.t} + \varepsilon_{1.t} \quad (2)$$

$$FP_{1.t} = \alpha + \beta_1 CSR_{1.t} + \beta_2 ASING_{1.t} + \beta 3CSR*ASING1_{.t} + \beta_4 CG_{1.t} + \beta_5 SIZE_{1.t} + \beta_6 AGE_{1.t} + \beta_7 PBV_{1.t} + \beta_8 GROWTH_{1.t} + \beta_9 COVID_{1.t} + \varepsilon_{1.t} \quad (3)$$

The analytical method used includes descriptive statistical analysis and hypothesis testing. Descriptive statistical analysis contains information about the characteristics of the research data in the form of minimum values, maximum values, average values and standard deviations. Hypothesis testing uses moderated regression analysis using the STATA 14.2 test tool.

4. RESULTS

The following is a graph of banking CSR disclosure in Indonesia from 2015 to 2020:

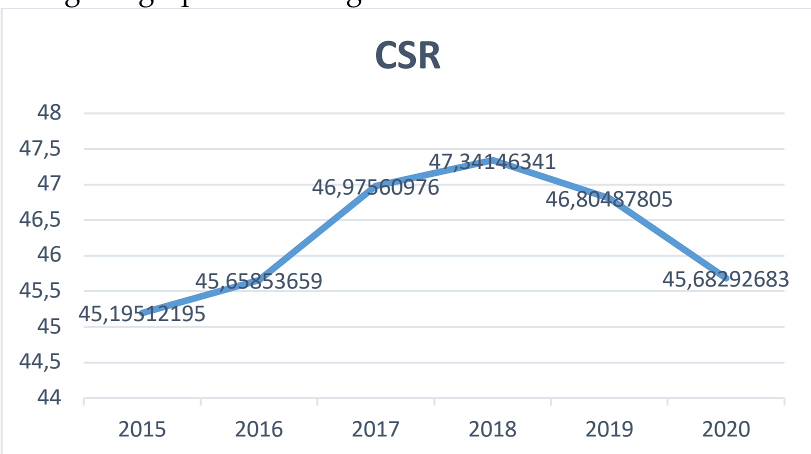

Figure 1. Indonesian banking CSR disclosure index for 2015-2020

The maximum total disclosure index for banking CSR is 91 disclosure items in accordance with the GRI G4 guidelines. Based on Figure 4.1, the average CSR disclosure for each bank is 46 items. Disclosure of banking CSR in 2015 averaged 45.195. Disclosure of banking CSR in 2016 averaged 45,685 and in 2017 it increased by 46,975. The average banking CSR disclosure in 2018 was 47,341; in 2019 decreased by 46,804; and in 2020 the average CSR disclosure decreased by 45,682. This means that disclosure of banking CSR in Indonesia is still relatively low.

Next, a table of descriptive statistics will be presented which contains the research variables, the minimum value and maximum value of each variable, the average value and standard deviation of the research variables. Table descriptions of research variables are presented in the following table.

Table 1. Descriptive statistics

Variable	Obs	Means	std. Dev.	Min	Max
ROA	246	0.5452	4.0265	-48.91	5,43
ROE	246	3.8234	19.0684	-94.01	89.38
NPM	246	-0.6455	1.0351	-3.2319	6.7460
CSR	246	0.5084	0.1883	0	0.989011
Kep. Foreign	246	30.4663	34.8672	0	98.99
CSR*Foreign Head	246	17.2553	20.6200	0	74.4062
cg	246	0.6657	0.0484	0.5074	0.9776
size	246	29.60042	5.2209	9.3178	41.8037
age	246	41.3495	15.9885	11	79
PBV	246	0.5040	1.9551	-3.7571	8.7171
growth	246	0.4108	2.3825	-3.3492	10.3141
Covid	246	0.16666	0.3734	0	1

Dummy variable			
Variable	%Score1	%Score0	Total%
Year_Cov	(180)18.91%	(772)81.09%	(952)100%

Source: Statistical secondary data processing 14.2

Table 1 shows the average value of the dependent variable proxied by ROA of 0.5452, the minimum value is -48.91, the maximum value and standard deviation are 5.43 and 4.0265. The average value of the dependent variable proxied by ROE and NPM has an average value of 3.8234 and (-0.6455). The ROE variable has a minimum value of -94.01, a maximum value of 89.38 and a standard deviation of 19.0684. The NPM variable has a standard deviation of1.0351the minimum value and the maximum value each of-3.2319and 6.7460.The independent variable in this study, namely CSR, has a minimum value of 0, a maximum value of 0.9890 and a standard deviation of 0.1883. The average value of the CSR variable is 0.5084 or 50.84%. The moderating variable in this study is that foreign ownership has an average (mean) value of 30.4663. The minimum value of the foreign ownership variable is 0, the maximum value is 98.99 and the standard deviation is 34.8672. The interaction variable between the independent variables and the moderating variable in this study is CSR*Kep.Foreign, which has an average value of 17.2553, a standard deviation of 20.6200, a minimum value of 0 and a maximum value of 74.4062.

The first control variable is corporate governance. The corporate governance variable has an average value 0.6657 and a standard deviation of 0.0484. Variable *corporate governance* has a minimum value and a maximum value of 0.5074 and 0.9776, respectively. The second control variable is firm size which has an average value of 29.6004 standard deviation of 5.2209. Variable *sizes* has a minimum value and a maximum value of 9.3178 and 41.8037 respectively. The third control variable is the age of the company with an average value of 41.3495, a standard deviation of 15.9885, a minimum value of 11 and a maximum value of 79. The fourth control variable is PBV with an average value of 0.5040. PBV has a standard deviation, minimum value and maximum value of 1.9551 respectively; (-3.7571); and 8.7171. The fifth control variable is banking growth (growth) with an average value of 0.4108. Banking growth has a standard deviation of 2.3825, a minimum value of (-3.3492) and a maximum value of 10.3141. The sixth control variable is the year of Covid which is measured by a dummy variable, with a value of 1 for the year of Covid and a value of zero for the year before Covid.

Classic assumption test results(normality, heteroscedasticity, autocorrelation, and multicollinearity)the ROA variable is presented in the following table:

Table 2. *ROA Normality Test*

Variable	Normality test (Prob > chi2)		
	model 1	model 2	model 3
ROA	0.00000	0.00000	0.00000
CSR	0.00000	0.00000	0.00000
Kep. Foreign		0.00000	0.00000
CSR*Foreign Head			0.00000
cg	0.00000	0.00000	0.00000
size	0.00000	0.00000	0.00000
age	0.00000	0.00000	0.00000
PBV	0.00000	0.00000	0.00000
growth	0.00000	0.00000	0.00000
Covid	0.00001	0.00001	0.00001

Table 3. ROA Multicollinearity Test and ROA Heteroscedasticity Test

Variable	model 1		model 2		model 3	
	VIF	1/VIF	VIF	1/VIF	VIF	1/VIF
CSR	1.52	0.659730	1.57	0.638664	1.91	0.522897
Kep. Foreign			1.14	0.880391	13.36	0.074877
CSR*Foreign Head					15.16	0.065977
cg	1.32	0.756371	1.32	0.755911	1.33	0.754696
size	1.15	0.866751	1.16	0.865788	1.16	0.860827
age	1.39	0.718499	1.40	0.713791	1.41	0.707303
PBV	1.08	0.922854	1.10	0.905835	1.12	0.892385
growth	1.04	0.965412	1.04	0.962784	1.05	0.956537
Covid	1.02	0.978915	1.03	0.967094	1.04	0.963963
Heteroscedasticity Test (Prob > chi2)	0.2162		0.1543		0.1706	

Based on the results of the normality test in Table 2, it has a probability value of less than 0.05, meaning that all data in this study are not normally distributed. Based on test results multicollinearity in Table 3 the VIF value of each variable is less than 10, meaning that all research variables are free from multicollinearity. The heteroscedasticity test in Table 3 model 1, model 2 and model 3 has a probability > 0.05, which is equal to (0.2162), (0.1543), (0.1706). It can be concluded that the heteroscedasticity test for each model in table 3 has a probability > 0.05 so that heteroscedasticity does not occur in all variables.

The results of testing the first hypothesis and the two ROA variables are presented in the following table:

Table 4. ROA Regression Analysis

ROA	model 1	model 2	model 3

	t	P > [t]	Q	P > [t]	Q	P > [t]
CSR	-0.59	0.554	-0.18	0.854	-0.35	0.724
Kep. Foreign			-2.26	0.025	-1.08	0.281
CSR*Foreign Head					0.44	0.660
cg	1.28	0.201	1.35	0.179	1.36	0.174
size	-0.37	0.712	-0.30	0.767	-0.33	0.742
age	2.95	0.003	3.15	0.002	3.09	0.002
PBV	1.63	0.103	1.94	0.054	1.87	0.063
growth	1.30	0.195	1.19	0.235	1.22	0.224
Covid	-0.33	0.740	-0.08	0.932	-0.11	0913
Constant	-1.53	0.127	-1.63	0.105	-1.57	0.117
Prob > F	0.0053		0.0014		0.0026	
R2	0.0802		0.0997		0.1004	

The results of the research on the financial performance variable proxied by ROA in Table 4 (model 1) show that the CSR variable has no effect on financial performance (ROA) with a probability value of > 0.05, which is equal to 0.554. Based on the test results it can be seen that hypothesis 1 is rejected. Based on Table 4 (model 2) shows the effect of moderating variables on foreign ownership *financial performance* which is proxied by ROA has a probability value of <0.05, which is equal to 0.025and has a coefficient value (-2.26). The results of this study mean that foreign ownership has a negative effect on financial performance (ROA). Table 4 (model 3) shows the interaction between CSR and foreign ownership (CSR*Kep.Foreign) on financial performance which is proxied by ROA, which has a probability value of > 0.05, which is 0.660. This means that the foreign ownership variable cannot moderate the relationship between CSR and financial performance as a proxy for ROA. Based on the test results it can be seen that hypothesis 2 is rejected.

Table 5. ROE Normality Test

Variable	Normality test (Prob > chi2)		
	model 1	model 2	model 3
ROE	0.00000	0.00000	0.00000
CSR	0.00000	0.00000	0.00000
Kep. Foreign		0.00000	0.00000
CSR*Foreign Head			0.00000
cg	0.00000	0.00000	0.00000
size	0.00000	0.00000	0.00000
age	0.00000	0.00000	0.00000
PBV	0.00000	0.00000	0.00000
growth	0.00000	0.00000	0.00000
Covid	0.00001	0.00001	0.00001

Table 6. ROE Multicollinearity Test and ROE Heteroscedasticity Test

Variable	model 1		model 2		model 3	
	VIF	1/VIF	VIF	1/VIF	VIF	1/VIF
CSR	1.52	0.659730	1.57	0.638664	1.91	0.522897
Kep. Foreign			1.14	0.880391	13.36	0.074877
CSR*Foreign Head					15.16	0.065977
cg	1.32	0.756371	1.32	0.755911	1.33	0.754696
size	1.15	0.866751	1.16	0.865788	1.16	0.860827

age	1.39	0.718499	1.40	0.713791	1.41	0.707303
PBV	1.08	0.922854	1.10	0.905835	1.12	0.892385
growth	1.04	0.965412	1.04	0.962784	1.05	0.956537
Covid	1.02	0.978915	1.03	0.967094	1.04	0.963963
Heteroscedasticity Test (Prob > chi2)	0.7159		0.2918		0.3242	

Based on the results of the normality test in Table 5, it has a probability value of less than 0.05, meaning that all data in this study are not normally distributed. Based on the results of the multicollinearity test in Table 6, the VIF value of each variable is less than 10, meaning that all research variables are free from multicollinearity. The heteroscedasticity test in Table 6 model 1, model 2 and model 3 has a probability > 0.05, which is equal to (0.7159), (0.2918), (0.3242). It can be concluded that the heteroscedasticity test for each model in Table 4.8 has a probability > 0.05 so that heteroscedasticity does not occur in all variables.

Table 7. *ROE Regression Analysis*

ROE	model 1		model 2		model 3	
	t	**P > [t]**	**Q**	**P > [t]**	**Q**	**P > [t]**
CSR	0.32	0.746	0.78	0.435	-0.25	0.802
Kep. Foreign			-2.57	0.011	-2.93	0.004
CSR*Foreign Head					2.27	0.024
cg	2.08	0.038	2.17	0.031	2.28	0.024
size	0.43	0.669	0.52	0.604	0.35	0.726
age	3.79	0.000	4.03	0.000	3.83	0.000
PBV	3.27	0.001	3.62	0.000	3.35	0.001
growth	0.77	0.443	0.64	0.522	0.83	0.408
Covid	-0.96	0.337	-0.69	0.494	-0.82	0.414
Constant	-2.96	0.003	-3.10	0.002	-2.88	0.004
Prob > F	0.0000		0.0000		0.0000	
R2	0.1908		0.2127		0.2295	

The results of the research on the financial performance variable proxied by ROE in Table 7 (model 1) show that the CSR variable has no effect on financial performance (ROE) with a probability value of > 0.05, which is equal to 0.746. Based on the test results it can be seen that hypothesis 1 is rejected. Based on Table 7, model 2 shows the effect of the moderating variable on foreign ownership *financial performance* which is proxied by ROE has a probability value of <0.05, which is equal to 0.011 and a coefficient value (-2.57). The results of this study mean that foreign ownership has a negative effect on financial performance (ROE). In Table 7, model 3 shows the interaction between CSR and foreign ownership (CSR*Kep.Foreign) on financial performance which is proxied by ROE has a probability value of <0.05, which is equal to 0.024 and a coefficient value (2,27). This means that the foreign ownership variable can moderate the relationship between CSR and financial performance which is proxied by ROE. Based on the test results it can be seen that hypothesis 2 is accepted.

Table 8. NPM Normality Test

Variable	Normality test (Prob > chi2)		
	model 1	model 2	model 3
NPM	0.00000	0.00000	0.00000
CSR	0.00000	0.00000	0.00000
Kep. Foreign		0.00000	0.00000
CSR*Foreign Head			0.00000
cg	0.00000	0.00000	0.00000
size	0.00000	0.00000	0.00000
age	0.00000	0.00000	0.00000
PBV	0.00000	0.00000	0.00000
growth	0.00000	0.00000	0.00000
Covid	0.00001	0.00001	0.00001

Table 9. NPM Multicollinearity Test and NPM Heteroscedasticity Test

Variable	model 1		model 2		model 3	
	VIF	1/VIF	VIF	1/VIF	VIF	1/VIF
CSR	1.52	0.659730	1.57	0.638664	1.91	0.522897
Kep. Foreign			1.14	0.880391	13.36	0.074877
CSR*Foreign Head					15.16	0.065977
cg	1.32	0.756371	1.32	0.755911	1.33	0.754696
size	1.15	0.866751	1.16	0.865788	1.16	0.860827
age	1.39	0.718499	1.40	0.713791	1.41	0.707303
PBV	1.08	0.922854	1.10	0.905835	1.12	0.892385
growth	1.04	0.965412	1.04	0.962784	1.05	0.956537
Covid	1.02	0.978915	1.03	0.967094	1.04	0.963963
Heteroscedasticity Test (Prob > chi2)	0.0000		0.0014		0.0018	

Based on the results of the normality test in Table 8, it has a probability value of less than 0.05, meaning that all data in this study are not normally distributed. Based on the results of the multicollinearity test in Table 9, the VIF value of each variable is less than 10, meaning that all research variables are free from multicollinearity. The heteroscedasticity test in Table 9 for model 1, model 2 and model 3 has a probability > 0.05, namely (0.0000), (0.0014), (0.0018). It can be concluded that the heteroscedasticity test for each model in Table 4.5 has a probability < 0.05 so that heteroscedasticity occurs in all variables.

Table 10. NPM Regression Analysis

NPM	model 1		model 2		model 3	
	t	P > [t]	t	P > [t]	Q	P > [t]
CSR	-0.12	0.903	-0.85	0.397	-1.42	0.156
Kep. Foreign			4.05	0.000	-0.28	0.776
CSR*Foreign Head					1.54	0.126
cg	-0.17	0869	-0.27	0.787	-0.21	0.834

size	-2.76	0.006	-2.98	0.003	-3.10	0.002
age	0.92	0.360	0.62	0.539	0.47	0.640
PBV	-2.10	0.036	-2.70	0.007	-2.88	0.004
growth	0.06	0.953	0.27	0.785	0.40	0.692
Covid	1.79	0.074	1.39	0.164	1.31	0.192
Constant	0.45	0.655	0.62	0.537	0.77	0.441
Prob > F	0.0397		0.0002		0.0001	
R2	0.0594		0.1204		0.1291	

The results of the research on the financial performance variable proxied by NPM in Table 10 (model 1) show that the CSR variable has no effect on financial performance (NPM) with a probability value of > 0.05, which is equal to 0.903. Based on the test results it can be seen that hypothesis 1 is rejected. Based on Table 10 (model 2) shows the effect of moderating variables on foreign ownership *financial performance* which is proxied by NPM has a probability value of <0.05, which is equal to 0.000 and has a coefficient value of 4.05. The results of this study mean that foreign ownership has a positive effect on financial performance (NPM). Table 10 (model 3) shows the interaction between CSR and foreign ownership (CSR*Kep.Foreign) on financial performance which is proxied by NPM having a probability value of > 0.05, which is 0.126. This means that the foreign ownership variable cannot moderate the relationship between CSR and financial performance as a proxy for NPM. Based on the test results it can be seen that hypothesis 2 is rejected.

The results of the research in Table 4 model 1 above show that the CSR variable on financial performance which is proxied by ROA has a significance value of 0.554. The CSR variable on financial performance which is proxied by ROE has a significance value of 0.746. Meanwhile, the effect of the CSR variable on financial performance proxied by NPM has a significance value of 0.903. This means ROA, ROE and NPM have a significance value of more than 0.05. These results indicate that there is no influence between CSR on financial performance. Based on the test results it can be seen that hypothesis 1 is rejected.

5. DISCUSSION

In general, banks are not good at disclosing CSR activities. Banking avoids providing relevant information to investors. Therefore, it is not uncommon for banks to reveal good things and cover up things that are considered not to be profitable for the banking sector. Besides thatInvestors only know a little about banking CSR disclosure.Disclosure of CSR in the annual report has not been able to provide information to investors for decision making. This triggers the quality of CSR disclosure to be considered by investors, thereby reducing investor interest in investing in banks.

Indonesian banking revealed that CSR was not in accordance with the GRI G4 guidelines. According to GRI G4, CSR disclosure consists of economic, environmental, employment, human resources, social, and product responsibility. Meanwhile, CSR disclosures that are generally carried out by Indonesian banks cover the areas of employment, occupational health and safety; social and community sector; environmental sector; bank's responsibility to customers. Several GRI G4 items are not disclosed in the banking annual report, for example guarantees, corruption, corporate communications and child labor issues. These items are not relevant in the disclosure of Indonesian banking CSR. On the environmental aspect, it is necessary to add items regarding environmental conservation activities, protection of animals or other endangered habitats, concern for the educational environment, environmental audit procedures, environmental management systems to comply with banking CSR disclosures. Based on bank reports related to their social activities, several banks have actually carried out various activities related to the environment such as planting 3 million trees in the northern coastal area, participating in green-climate activities, providing facilities related to creating environmentally friendly energy, forming and empowering groups concerned with the environment. and other activities that have not been included in the GRI G4 items.

The results of this study are in line with research conducted by Gantino (2016), showing that corporate social responsibility has no effect on financial performance. This is because the company avoids providing relevant information. But the results of this study are not in line withresearchMaqbool & Zameer (2018) that CSR has a positive impact on the financial performance of banks in India. The findings of this study provide good insights for management, to integrate CSR with business strategic goals, and renovate their business philosophy from a traditional profit-oriented approach to a socially responsible approach.An ideal CSR for all stakeholders can create stakeholder satisfaction thereby reducing costs for the company which ultimately increases the company's financial performance. Satisfied workers compensate employers through increased productivity and reduced recruitment and training costs. Satisfied investors will lend capital at a lower price, thereby reducing the cost of capital. Community satisfaction reduces advertising costs, ecological management promotes favorable conditions, and better suppliers reduce quality certification costs. Likewise, when companies increase CSR towards their stakeholders, consumers not only like, respect, or admire the company but also identify with it.

The results of this study are not in line with stakeholder theory (Freeman, 1984). Stakeholder theory explains CSR disclosure as a way to communicate with stakeholders. The implication is that banks will voluntarily carry out CSR, because the implementation of CSR is part of the company's (banking) role towards stakeholders. This theory if applied will encourage banks to implement CSR(Efriyanti et al., 2012). The better the CSR disclosure carried out by banks, the more stakeholders will provide full support to banks for all their activities aimed at improving financial performance and achieving the expected profits of banks.(Lindawati & Puspita, 2015;Marsella, et al., 2015).

The regression results in this study show that the control variables size, age, PBV have a significance value of less than 0.05. This means that banking size, banking age and firm value (PBV) have an effect on the financial performance of banks in Indonesia. Meanwhile, the regression results for the control variable growth and the year Covid have a significance value of more than 0.05. Therefore, banking growth and the year of covid cannot affect the financial performance of banks in Indonesia.

The results of the research in Table 4 model 2 are the results of the regression analysis test of the foreign ownership variable on financial performance which is proxied by ROA. Based on Table 2 model 2, the significance value of foreign ownership is less than 0.05, which is (0.025 <0.05) and the t statistic value is (-2.26). In Table 7, model 2 is a variable regression test of foreign ownership on financial performance that is proxied by ROE. The results of the study in Table 7 model 2 show that the significance value of foreign ownership is less than 0.05, which is 0.011 and the statistical t value is (-2.57). Therefore, foreign ownership has a negative effect on*financial performance*banking proxied by ROA and ROE. This shows that the existence of foreign ownership in banks actually results in a decline in banking financial performance.

Most of the foreign ownership of banks in Indonesia comes from non-Western countries. Foreign investors have different cultural characteristics, languages and beliefs from company owners. This results in friction or decisions that are not in line with the company owner which ultimately reduces the financial performance of the banking system. Foreign investors have less ability to monitor companies in emerging markets because they are not concentrated and suffer from information asymmetry. Therefore, foreign investors do not fully absorb corporate social responsibility behavior.

Table 10 model 2 is the result of the foreign ownership regression test on financial performance as a proxy for NPM. Based on Table 10 model 2, the significance value of foreign ownership is less than 0.05, which is 0.000 (0.000 <0.05) and the t statistic value is 4.05. This can be interpreted that foreign ownership has a positive effect on financial performance which is proxied by NPM. Foreign ownership affects the profitability of companies that produce good financial performance because foreign investors in companies have more experience and good financial management, as well as a higher supply of capital that can improve banking financial performance.

The financial performance variable is proxied using ROA. The results of the study Table 4 model 3 shows that the interaction of CSR variables and foreign ownership variables on financial performance proxied by ROA has a significance of0.660. Based on Table 10, model 3 shows that the interaction of CSR variables and foreign ownership variables on financial performance proxied by NPM has a significance of 0.126. These results mean that foreign ownership cannot moderate the relationship between CSR and financial performance.Based on the test results it can be seen that hypothesis 2 is rejected. This is due to the lack of awareness of foreign investors to carry out corporate social responsibility activities. The existence of foreign investors is only limited to seeking profits and does not pay too much attention to the social conditions of the community around the company.

But based on Table 7 model 3, it is known that the interaction of CSR variables and foreign ownership variables on financial performance which is proxied by ROE has a significance value of 0.024. This means that foreign ownership strengthens the relationship between CSR and financial performance. According to*mimetic isomorphism*, foreign shareholders (foreign ownership) tend to imitate and apply the company's strategy where the shareholders come from. Foreign investors who have shares in banks in Indonesia will implement corporate strategies in their countries because the implementation of foreign companies' strategies is better than in Indonesia.

This result is in line withresearchSetiawan et al., (2021)results that foreign board involvement has a positive effect on corporate social responsibility performance. Research resultSetiawan et al., (2021)provide empirical evidence on the effectiveness of foreign ownership and foreign boards to enhance corporate social responsibility performance. Foreign ownership forces management to be more involved in corporate social responsibility activities. Foreign owners use their discretion to encourage management to pay more attention to corporate social responsibility and increase the company's involvement in corporate social responsibility activities. Therefore, foreign ownership has a positive effect on corporate social responsibility.

In this study, the foreign ownership variable is more suitable to be used as an independent variable. Based on the above research results (regression test results), foreign ownership has a significant effect on financial performance. But if the foreign ownership variable is interacted with the CSR variable, then the regression results have no effect on financial performance. This is because the CSR variable has no effect on financial performance.

6. CONCLUSIONS, LIMITATIONS, SUGGESTIONS

Conclusion

Based on the results of hypothesis testing and discussion in the previous section, it can be concluded that:

1. *Corporate Social Responsibility*has no effect on financial performance (which is proxied by ROA, ROE, NPM) in banks in Indonesia.This is because banks do not provide relevant information in financial statements.Disclosure of CSR in the annual report has not been able to provide information to investors for decision making. Indonesian banking CSR disclosures are not in accordance with the GRI G4 guidelines.
2. Foreign ownership has a negative effect on financial performance which is proxied by ROA and ROE in banks in Indonesia. Most of the foreign ownership of banks in Indonesia comes from non-Western countries. Foreign investors have different cultural characteristics, languages and beliefs from company owners. This results in friction or decisions that are not in line with the company owner which ultimately reduces the financial performance of the banking system.
3. Foreign ownership cannot moderate the relationship between Corporate Social Responsibility and financial performance (which is proxied by ROA and NPM) in banking in Indonesia. This is due to the lack of awareness of foreign investors to carry out corporate social responsibility activities. The existence of foreign investors is only limited to seeking profits and does not pay too much attention to the social conditions of the community around the company.
4. Foreign ownership moderates the relationship between Corporate Social Responsibility and financial performance (which is proxied by ROE) in banking in Indonesia. According to mimetic isomorphism, foreign shareholders (foreign ownership) tend to imitate and apply the strategy of the company where the shareholders come from. Foreign investors who have shares in banks in Indonesia will implement corporate strategies in their countries because the implementation of foreign companies' strategies is better than in Indonesia.
5. This study found that foreign ownership as a pseudo moderating variable. Foreign ownership acts more as an independent variable because foreign ownership has a positive effect on the financial performance of banks in Indonesia. If foreign ownership is interacted with CSR and financial performance, then foreign ownership cannot moderate the relationship between CSR and banking financial performance in Indonesia. Likewise, if it is interacted with corporate governance and financial performance, foreign ownership cannot moderate the relationship between corporate governance and financial performance of banking in Indonesia.

Limitations and Suggestions

This study has some limitations. First, CSR disclosure is adopted from other countries or comes from foreign concepts. The hope for further research is to make a CSR index that is in accordance with banking conditions in Indonesia. In addition, future researchers can use banking CSR disclosure measurements that are in accordance with conditions in Indonesia. Second, this study uses CSR and foreign ownership based on secondary data so that the data in the annual report cannot show the actual situation of banking in Indonesia. Disclosure of CSR in the annual report has not been able to provide information to investors for decision making. Therefore, future research is expected to use primary data, namely through interviews with stakeholders and foreign investors. Third, this study uses financial performance which is proxied by ROA, ROE and NPM. The results showed a low R-square value, so that further research is expected to examine other variables as factors that influence banking financial performance. Fourth, test the model specifications in this study using OLS for each model. Future research should use three approaches to estimating panel data regression models include: common effect models, fixed effect models and random effect models.

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