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by Saarce Hatane

Corporate Social Responsibility Performance and Ownership Structures in the Value of Indonesia's Banking Sector

Abstract - In order to encourage the sustainability of the bank industry, this research examines the link between corporate social responsibility (CSR) and ownership structure over firm value. Kinder, Lydenberg and Domini's assessment (KLD) is employed to evaluate CSR of banking in Indonesia. Meanwhile, firm value is assessed using economic value added. The observation number of this research are thirty-seven banks from 2013-2018. The research models examined by Weighted Least Square panel tests. The results show that CSR influences significantly positive towards firm value, whereas ownership structures that give similar influence on firm value are government ownership and foreign institutional ownership. The results indicate that CSR can be used as a communication media and bank's strategy tools to enhance value, especially the elements of diversity, environment, and products. Also, this research finding provides further knowledge for decision-makers on beneficial effects of ownership structure towards company value. This study develops the results of previous studies by discussing each component of CSR performance in KLD and finds that each component has a varying effect on firm value.

Keywords - Corporate social responsibility; Banks; Ownership Structure; KLD; Firm value

INTRODUCTION

CSR, the stakeholder implementation theory and the extent of corporate governance, is a process to link social care, environment, ethics, human rights, and consumers into business activities and to optimize shared value with the owner and shareholders (Theodoulidis et al., 2017). In the past few years, corporate social responsibility (CSR) has become a developed global concept (Carroll, 2015). CSR symbolizes many world well-known perspectives and has significantly developed. By implementing CSR, the company will be able to meet stakeholders' desires. Moreover, CSR can reduce the legitimacy gap between the firm and the public; thus, it encourages the firm to be transparent (Semuel et al., 2019). In other words, legitimacy theory implies that the organization's top management is responsible for figuring out the legitimacy gap, administering social practice, and disclosing it to stakeholders to ensure accountability (Khan et al., 2012). CSR is an essential factor for the company to enhance financial performance, create a company positive value, and increase company internal ability, such as becoming a pioneer in the industry to compete (Maqbool & Zameer, 2018). In addition to it, CSR reduces risk and enriches company reputation (Izzo, 2014; Bhuiyan & Nguyen, 2019; Agyemang & Ansong, 2017) so that company has a minimum chance to go bankrupt compared to a company with non-CSR (Maqbool & Zameer, 2018). The CSR concept is the triple bottom line, which comprises People, Planet, and Profit. These three are essential values to determine company success (Devie et al., 2018). CSR activities transform public perspective towards the company, in a sense, that they now can feel their interest get attention. It then makes the company's reputation be formed and enhances financial performance (Agyemang & Ansong, 2017). Feng et al. (2017) state that CSR's devastating impact besides reputation is to elevate ethics, workers, and loyalty towards the company (Kabir & Thai, 2017). Thus, workers can be more productive in working and can improve company performance. CSR implementation makes stakeholders willing to purchase company products and assume that the company's little profit is donated (Semuel et al., 2019). Therefore, CSR activities automatically improve economic value added as good reputation increases value over anything either done or stated by the company (Eberl & Schwaiger, 2005, Agyemang & Ansong, 2017). Verbeeten et al. (2016) also confirm that CSR disclosure improves financial performance and access to finance, reduces financial risk, raises the accuracy of analysis prediction, lowers the cost of capital, and enhances firm value.

Corporate Social Responsibility (CSR) is a company's obligation to contribute to society's welfare in which it operates. In line with its inherent purpose, the CSR implementation needs to create benefits for society. Sun (2012) divides CSR into five dimensions: vision, community relations, workplace, accountability, and marketplace. Sun & Rakhman (2013) further explain that CSR is for social welfare and other parties, such as workers and the company's environment. Sun & Rakhman (2013) and Nguyen & Nguyen (2015) assess CSR using Kinder, Lydenberg, and Domini's (KLD), which consists of two main big groups: strength and concern. Strengths are to evaluate positive things done by a company, whereas concerns are related to negative things. KLD assesses seven qualitative areas: community, corporate governance, diversity, employee relations, environment, human rights, and products. These seven areas complete the study of Sun (2012), which divides CSR into five dimensions. Community is related to voluntary company activities as evidence of its contribution and concern towards society in the forms of charity, building house and worship support, and elsewhere. Corporate Governance sees how a company discloses information related to corporate governance by upholding transparency and accountability values. Diversity is concerned with women or minority gender. The company is charged not to discriminate against any gender, including the minority gender, so that all parties will receive equal opportunities. Employee Relations are how a company maintains good relations with its workers, which can be done by providing them facilities and pension funds. The environment is a form of company responsibility to be more cautious, so its activities do not damage nature. Human Rights is how the company fulfills the rights of its workers or the people around it. Lastly, products are how the company gives customers safe, reliable, and qualified products.

Besides CSR, this research is also to examine the relationship between ownership structure and firm value. One of the determining factors of bank performance is ownership structure (Beck et al., 2013). Ownership structure refers to ownership by any shareholder groups (Lappalainen & Niskanen, 2012), government, domestic institution, foreign institution, and management ownerships. The ownership structure is one of the mechanisms of good corporate governance, which is strongly believed to be able to give influence over firm performance as it reduces agency cost (Altaf & Shah, 2018) and to determine its ability to monitor managers (Mamatzakis et al., 2017). Ownership is varied, and each ownership group impacts financial performance (Shawtari, 2018). State or government ownership positively impacts firm value (Ghazali, 2007), domestic institution ownership enhances firm performance (Panda & Leepsa, 2019). Management ownership raises firm performance as it reduces agency problems between owner and manager (Lappalainen & Niskanen, 2012). Also, it is believed that foreign institutional ownership positively impacts bank performance (Kabir & Thai, 2017). Referring to Wahba & Elsayed (2015), the possibility of enhancing a firm competitive advantage by investing in CSR is more prominent because the change of investor attitude towards society in the past few years has increased. Accordingly, the CSR concept, even more, becomes a business agenda for business people. However, many good and bad opinions connected to the relation between CSR and institutional investors exist. Support to the positive side is stated by Suto & Takehara (2017) that the institutional investor will encourage the firm to conduct CSR, even foreign investors. Conducting CSR leads to enhance financial performance (Maqbool & Zameer, 2018). State ownership or government ownership is positively connected to CSR implementation, which can raise the firm value. Ghazali (2007) declares that government ownership indirectly means that the firm is owned by society; thus, the firm will be more involved in holding social responsibility programs and will disclose more to legitimate its existence. Furthermore, Haque & Shahid (2016) believe that government ownership in the financial sector benefits the country with less developed institutions.

This research investigates the influence of CSR performance and ownership structures on the firm value of Indonesia's banks. This research also involves capital adequacy, asset quality, management adequacy, and earning power as the control variables to estimate the bank's value. This research assesses firm value by economic value added, which is relatively rare in previous studies. Economic value added does not only measure profitability but also considers the cost of equity. Therefore, this assessment is believed to be more robust to assess firm value. Moreover, CSR assessment in this research employs KLD, which consists of seven qualitative areas more than prior research.

METHODS

The selected sector is the banking industry since it has a significant role in the sense that banks dominate the state's economy as credit providers for business, particularly in developing countries (Abadi et al., 2016). Sample companies are 37 conventional banks that run their business in Indonesia. Secondary data to support this research are gained from financial reports, annual reports of each bank, and any news from online media in 2013-2018. The total observation is displayed in Table 1.

Table 1 Summary of the Sample Observed

Sampling criteria	Number of companies
Banks as under government regulation no. 47 of 2012 in IDX from 2013-2018	43
Banks which do not consistently publish their annual reports or do not have sufficient financial and CSR information in their annual report from 2013 to 2018	6
Banks which fulfill the criteria (final sample)	37
The total sample used (37 x 6)	222 firm-years

CSR as an independent variable is measured using KLD, which scores seven components: community, corporate governance, diversity, employee relations, environment, human rights, and products (Nguyen & Nguyen, 2015). If the firm takes a positive action over the seven components, its assessment goes to the strength category and is given a score of 1, but if not, it is scored 0. Contrary to strengths, score one is given to concerns if the firm does negative things, and score 0 if it does not. For each component, add the strengths and concerns, then the total strengths will be subtracted from the total concerns. The independent variable's influence over the dependents variable (EVA) is not influenced by outside factors that are not investigated. This research uses bank performance as a control variable. Referring to Erol et al. (2014), analysis applying bank performance with capital adequacy, asset quality, management adequacy, and earning power elements is a general approach. Capital adequacy is gained from the ratio of bank capital over its asset. Asset quality is determined mainly by loan quality. The asset represents the majority of the whole bank balance sheet. The ratio used to determine asset quality uses the division result of loans under follow-up (net) and total loans receivable. As an additional assessment, the ratio of fixed assets and total assets are also considered. The assessment to determine management adequacy is the operating expense ratio over the total assets. Bank performance earning power is assessed using total income relative to total expense.

The CSR performance measurement is:

KLD = (Total strengths of community - Total concerns of the community) + (Total strengths of corporate governance - Total concerns of corporate governance) + (Total strengths of diversity - Total concerns of diversity) + (Total strengths of employee relations - Total concerns of employee relations) + (Total strengths of environment - Total concerns of environment) + (Total strengths of human rights - Total concerns of human rights) + (Total strengths of products - Total concerns of products)

Table 2 shows a summary of the variables' operational definitions, formulas used, and source of data.

Table 2 Variable Definition and Data Source

Variable(s)	Measurement	Data source
Corporate Social Responsibility (CSR)	Firm's voluntary actions to integrate environmental and social problems into business and towards stakeholders to gain sustainability. Total CSR = difference between the total score of strengths and concerns	Annual report
Government Ownership (GovOwn)	Capital investment by central or local state-owned institution. GovOwn = percent of shares owned by the government	Annual report

Domestic Institution Ownership (DomOwn)	Ownership of all institutions with similar country of domicile in where the shares are registered. DomOwn = Percent of shares owned by domestic institution	Annual report
Foreign Institution Ownership (ForOwn)	Investor institution registered in a different country from where it invests. ForOwn = Percent of shares owned by foreign institution	Annual report
Management Ownership (ManOwn)	Share ownership by firm board of directors and board of commissioners. ManOwn = Percent of shares owned by manager	Annual report
Capital Adequacy (E/TA)	Capital adequacy to absorb any potential shock experienced by the bank. E/TA = Shareholder's equity over total asset	Bloomberg
Asset Quality (LF/LR and FA/TA)	Significant element which measures bank strength and is directly related to capital adequacy. LF/FR = Net loans divided by total loans and receivable (LF/LR) FA/TA = Fixed asset divided by total asset (FA/TA)	Bloomberg
Management Adequacy (OE/TA)	Manager and director ability to assess and identify firm risk, and ensure the activity running well. OE/TA = Operating expense over total asset	Bloomberg
Earning Power (TI/TE)	Element which assesses bank profitability and overall performance. TI/TE = Total income over total expense	Bloomberg
EVA Spread	Size of financial performance which stresses to maximize shareholder value. EVA = (ROIC - WACC) x IC EVA spread = EVA / IC	Bloomberg
Return on Invested Capital (ROIC)	Indicator which shows how far the invested capital on particular action returns as profit or loss. ROIC = Profit before interest & tax / Invested Capital	Bloomberg
Weighted Average Cost of Capital (WACC)	Average return level which can be expected by investor by purchasing shares and obligation portfolio that fit the firm risk profile. $WACC = k_e \frac{E}{V} + r_d (1-T) \frac{D}{V}$ $k_e = R_f + (R_m - R_f) \beta$ Where; k_e: Cost of equity E: Equity V: Value of the company equal E + D	Bloomberg

r_d: Interest on debt
T: The income tax rate
D: Interest-bearing debt
R_f: Risk-free return
R_m: Expected market rate of return
β: A measure of market risk (the index shows the risk of the stock of a company in relation to market risk)

There are two statistic equations examined to explain the research framework. The equation on model 1 is to see the CSR influence and ownership over economic value added. Moreover, model 2 sees each CSR component's influence and each ownership component over economic value added.

Model 1:

$$\text{EVA Spread} = \beta 0 + \beta 1\ \text{CSR}_{it} + \beta 2\ \text{GovOwn}_{it} + \beta 3\ \text{DomOwn}_{it} + \beta 4\ \text{ForOwn}_{it} + \beta 5\ \text{ManOwn}_{it} + \beta 6\ \text{ETA}_{it} + \beta 7\ \text{LFLR}_{it} + \beta 8\ \text{FATA}_{it} + \beta 9\ \text{OETA}_{it} + \beta 10\ \text{TITE}_{it} + \varepsilon_{it}$$

Model 2:

$$\text{EVA Spread} = \beta 0 + \beta 1\ \text{Comm}_{it} + \beta 2\ \text{CG}_{it} + \beta 3\ \text{Div}_{it} + \beta 4\ \text{Emp}_{it} + \beta 5\ \text{Envi}_{it} + \beta 6\ \text{HR}_{it} + \beta 7\ \text{Pro}_{it} + \beta 8\ \text{GovOwn}_{it} + \beta 9\ \text{DomOwn}_{it} + \beta 10\ \text{ForOwn}_{it} + \beta 11\ \text{ManOwn}_{it} + \beta 12\ \text{ETA}_{it} + \beta 13\ \text{LFLR}_{it} + \beta 14\ \text{FATA}_{it} + \beta 15\ \text{OETA}_{it} + \beta 16\ \text{TITE}_{it} + \varepsilon_{it}$$

The type of data in this research is panel data. The models are examined in the multiple regression model of panel data. Thus, it is crucial to test the residuals' heteroscedasticity and multicollinearity and determine the panel effect model's type to test the hypothesis. The chow test, Breusch-pagan, and Hausman test are run to determine the appropriate panel effect model whether the model is OLS, Fixed Effect, or Random Effect. The model has a heteroscedasticity problem if the p-value of the chi-square is less than 0.05. The model is free from multicollinearity problems when the variance inflation factor (VIF) is less than 10.

RESULTS AND DISCUSSION

Table 3 presents the statistical information of each variable with minimum, maximum, mean, and standard deviation elements. Variables which are going to explained are CSR, Community Total, Corporate Governance Total, Diversity Total, Employee Relations Total, Environment Total, Human Rights Total, Products Total, Government Ownership, Domestic Institution Ownership, Foreign Institution Ownership, Management Ownership, Capital Adequacy, Asset Quality, Management Adequacy, and Earning Power. Total samples used are 222 firm- year of the banking sector. The result shows that the dispersion of each variable's data is not bias, which can be seen on the table that the standard deviation of each variable is less than 3.00. Of the seven CSR qualitative areas measured, the two most disclosed banking parts are related to community (mean=5.144144) and corporate governance (mean=5.382883).

Meanwhile, the least disclosed is human rights (mean=2.175676). It implies that, on average, the bank samples do less disclosure concerning human rights and employment. For example, some banks in this research, Bank Harda International and Bank Pembangunan Daerah Banten got weak assessment that banks are less concerned about diversity in the firm (the concerns are bigger than strengths); the result shows -1, minimum value, on variable diversity. Some banks have ever been owned by both government and domestic institutions totally for ownership, and the value is maximum 1. Bank IBK Indonesia has once been owned by the domestic institution, whereas Bank Pembangunan Daerah Jawa Timur has once been owned totally by the government.

Table 3 Descriptive Summary Statistics

Indicator	Minimum	Maximum	Mean	Std
CSR	1.428571	5	3.694981	0.70077
Community	0	7	5.144144	1.222787
Corporate Governance	1	6	5.382883	0.881376
Diversity	-1	5	2.427928	1.548534
Employee Relations	0	7	4.166667	1.543416
Environment	0	6	3.72973	2.008746
Human Rights	0	4	2.175676	0.920607
Products	0	0	2.837838	0.771575
Government Ownership	0	1	0.115013	0.246721
Domestic Institutional Ownership	0	1	0.363983	0.320884
Foreign Institutional Ownership	0	0.983	0.365772	0.663778
Management Ownership	0	0.29	0.012933	0.041059
ETA	0.013043277	0.385543059	0.146714711	0.051065686

LFLR	0.876722109	0.99077245	0.979083155	0.016860311
FATA	0.000523097	0.112190522	0.022279906	0.020205156
OETA	0.008037108	0.110583781	0.033505597	0.0152455
TITE	0.110054	6.201557	0.781025	0.520131

Table 4 Panel Effect Model and Heteroscedasticity Tests

Panel Effect Model Tests	**EVA Spread**	
	Model 1	**Model 2**
Fixed Effect Estimator	2.69E-28	4.74E-25
Breusch Pagan Test	5.07E-35	1.48E-27
Hausman Test	0.0378	0.0321
Heteroscedasticity Tests		
a p-value of Chi-Square	0.0000	0.00024

Table 4 shows that all models are suitable for the fixed-effect model since the Hausman test results give p-values less than 0.05. The models also have a heteroscedasticity problem, as the p-values are less than 0.05. Therefore, the models are examined using the Weighted Least Square panel (WLS Panel).

Table 5 Panel Multiple Regression Results

Independent Variables	Multicollinearity Test	Panel Multiple Regression	
		EVA Spread	
	VIF	Model 1	Model 2
CSR	1.215	1.16283**	
Community	1.376		0.122669
Corporate Governance	1.224		0.2322
Diversity	1.244		0.469495**
Employee Relation	1.838		−0.0663551
Environment	1.516		0.674296***
Human Rights	1.296		−0.878849***
Products	1.241		0.578458*
GovOwn	1.678	5.20393***	3.63748**
DomOwn	1.508	−1.69741	−2.20210*
ForOwn	1.272	4.33627***	1.92002
ManOwn	1.132	1.0776	1.62802
FTA	1.776	−17.3763**	−13.0321**
LFLR	1.172	−36.6727**	−33.0777**

FATA	1.256	18.5037	12.2513
OETA	1.403	35.4294	−1.15600
TITE	1.852	1.16239***	1.05400*
Constant		31.8037**	29.5845*
Adjusted R-squared		0.396415	0.476216
P-value(F)		4.41E-20	1.34E-23

*p-values < α = 10%, **p-values < α = 5%, ***p-values < α = 1%

Table 5 shows the results of multicollinearity test as well as the WLS panel test for each model. The VIF results confirm that the residuals are free from the multicollinearity.

Table 6 Summary Result of Hypothesis

Hypothesis	Significant Value (p-value)	Results
H1: Corporate social responsibility Influences Positively towards economic value added	0.0110	Accepted
H2: Government ownership influences positively towards economic value added	0.0005	Accepted
H3a: Domestic institution ownership influences positively towards economic value added	0.2152	Not Accepted
H3b: Foreign institutional ownership influences positively towards economic value added	0.0023	Accepted
H4: Management ownership influences economic value added	0.8761	Not Accepted

According to Tables 5 and 6, this research discovers that CSR positively influences economic value added. It answers and confirms hypothesis 1. Described in detail, of the seven qualitative areas of CSR, four of them, diversity, environment, human rights, and products, give significant influences over economic value added. The CSR disclosure can provide signs by giving additional relevant information to stakeholders (Matuszak & Różańska, 2019), and a specific information regarding company's constraint even can enhance firm value (Verbeeten et al., 2016, Ronald et al., 2019). CSR performance becomes a communication medium that can resonate with stakeholders (Watts et al., 2018). Enclosing CSR in an annual report can determine firm actions to meet public hope (Matuszak & Różańska, 2019). The CSR activities can lead to increase of employees' commitment and ethics in the firm, which subsequently enhance firm performance and value (Feng et al., 2017), create goodwill (Verbeeten et al., 2016;), firm reputation (Agyemang & Ansong, 2017; Bhuiyan & Nguyen, 2019) and customer retention (Eberl & Schwaiger, 2005).

Investors give positive respond when banks disclose diversity, environment, and products. Two diversity components that can motor investors, are things related to work-life benefits and board of directors. Diverse boards recommended by both internal and external stakeholders will trigger both role and performance to be effective (Goyal et al., 2019). This good performance will enhance profitability to create EVA. When banks concern the environment, it means that banks take some significant steps to preserve the environment. In 2015, Bank Rakyat Indonesia made an environmentally-friendly innovation by developing 50 units of solar power automatic teller machine (ATM). It is a form of product innovation by still preserving the environment. Thus, investors will see the firm's positive side, which makes their trust over the firm increase. On the contrary, the component of human rights reveals a negative relation towards economic value added; It implies that the more banks disclose matters related to human rights, the more they will lower the banks' value.

Concerning the relation between ownership structure and economic value added, the results show that government ownership and foreign institutional give significant influence. The test result of government ownership is consistently showing that this ownership is the most dominant in the banking industry. Government ownership provides a positive impact over economic value added so that hypothesis 2 is confirmed. This result is in line with Ghazali (2007), which states that government ownership makes the firm more involved with CSR program and do more disclosures of which the intention is to raise the firm's value (Agyemang & Ansong, 2017).

In Indonesia, many big banks belong to state ownership. Often, direct state ownership is associated with pursuing political goals by sacrificing other firm shareholders (Khan et al., 2012). Before the financial crisis in 1997, the ownership concentration was high. A single shareholder could have more than 50% of bank equity. However, government intervention significantly changed ownership concentration. The government provided a bank recapitalization program in which the government injected new capital. The majority of bank shareholders provided up to 80% of funding need and the rest of the need funds.

Nevertheless, if the majority of shareholders failed to do so, the bank would be taken over by the government. This program results in bigger ownership concentration as the government always becomes the temporary majority shareholder up to the investment (Agusman et al., 2014). Furthermore, the banking sector of Indonesia has been open to foreign investment. The changing regulation and banking policy in Indonesia has widened access for foreign penetration into the local market. At present, foreign banks have been permitted to acquire local banks and establish joint ventures and foreign bank branches called bank foreign de novo. Foreign companies are obliged to maintain their reputation in the host country because they are expected to pay higher dividends (Setiawan et al., 2016).

The favorable effect of foreign institutional ownership is in line with the study of Kabir & Thai (2017). Some underlying matters are that foreign shareholders love to negotiate and monitor the firm (Huang & Zhu, 2015). They bring new technology, the current technique, practical managerial skill, and relevant knowledge to set a benchmark that fits firm performance (Mamatzakis et al., 2017). There will be many advantages gained by a bank when there is foreign ownership. Even if they are capable of sharing knowledge on how to choose the most sophisticated and the fittest strategy; to increase operational efficiency (Mamatzakis et al., 2017); to be more productive and to have good capital adequacy (Panda & Leepsa, 2019); and also highly committed (Kabir & Thai, 2017). To represent the foreign investor interest, the companies have foreign directors' representative in the firm who are equipped with some skills; they are likely more excellent than other members and therefore can enhance performance and create value for the firm (Mamatzakis et al. 2017)

Meanwhile, domestic institution ownership does not affect firm value. The result is matched with what is denoted by Musallam et al. (2019) that there is a possibility that domestic institution role is not efficient on monitoring manager so that it leads to firm performance decrease. Table 3 shows that the proportion of domestic institutional ownership in Indonesia's Bank is lower than that of foreign institutions. Besides, it is expected that the domestic institutions may come from several institutions, which affects the low control to the banks. Lins (2003) adds that domestic investor has neither significant investment nor political freedom so that foreign investors are more capable of monitoring. It is consequently failed to accept hypothesis 3a.

Lastly, management ownership reveals an insignificant influence on firm value. It means the result cannot accept hypothesis 4. Mandaci & Gumus (2010) and Lappalainen & Niskanen (2012) present that both positive and negative effects of managerial ownership depend on how big the management ownership is. According to those two previous studies, positive relation is found if the ownership is low, from 0% to 5%, whereas negative relation is if the ownership is high, 5% to 25%. The higher management ownership will make managers worry about their interest, which decreases firm value (Mandaci & Gumus, 2010). Bokpin (2013) denotes that management ownership in a firm makes cost and profit inefficient, even though management ownership makes loan management better. Table 3 shows that this study's average management ownership is 0.012933 or 1.29%, which is low. The small percentage of management ownership on the ownership structure implies that the internal funding is low; thus, management's power is not strong enough to create value. The relation between ownership concentration and firm value is U-shaped (Lozano et al., 2016). Accordingly, the right ownership proportion can add plus value to the firm.

Control Variable Analysis

The finding shows that capital adequacy has a negative impact on economic value added. Ikpefan (2013) reveals a similar result that capital adequacy gives a negative impact over profitability in which low profitability will lower economic value added. The statistical result shows that asset quality negatively affects economic value added. Khalid (2012), Ozgur & Gorus (2016), Mehta & Bhavani (2017), Garcia & Guerreiro (2016) discover the same finding. Similarly, earning power also appears to have negative relations.

CONCLUSION

The primary purpose of this research is to determine and to evaluate the CSR relation with the seven qualitative areas, namely: community, corporate governance, diversity, employee relations, environment, human rights, and products, which are assessed using KLD over firm value. Besides CSR, this research also intends to determine the relationship between ownership structure: government, domestic institution, foreign institution, and management ownership over firm value. This research enriches the results of previous studies related to CSR in the banking industry by analyzing how CSR performance and ownership structure simultaneously affect firm value. This research develops a discussion of CSR performance into each of CSR component in KLD and finds that each component has a varying effect on firm value. Firm value in this context is measured by economic value-added, which is still rarely used but is more accurate to assess firm value. The models are examined in Indonesia's conventional banks. This research discovers that CSR performance is favorable in enhancing firm value. The seven components of CSR performance give different impacts. For this reason, banks, on the one hand, need to do more disclosures on diversity, environment, and products while reducing the disclosures related to human rights to raise the firm value. This research also finds that government ownership and foreign institution ownership have significant impacts on firm value. Government ownership positively impacts EVA. The presence of government investors in the company can push the company to run more CSR programs to legitimate its existence. Foreign institution shows a positive relation with EVA. Foreign stakeholders are strongly believed to do more negotiation and monitoring in the firm, to share knowledge on how to choose the most sophisticated and fittest strategy to enhance operational efficiency, to be more productive, to have good capital adequacy, and to be highly committed. On the contrary, domestic institutions and management ownerships reveal an insignificant relation, which is understandably possible as there is a potentially inefficient role of the domestic institution and management shareholders in controlling managers, leading to firm performance decrease. In addition, this research contributes some thinking to decision-makers; for instance, the manager can determine the right strategy and policy to communicate and implement CSR activities. For investors, this research fulfills their information need as a reference to make an investment decision. Investors will appreciate that the firm transparently discloses strengths and concerns and will value such action as a gentle one. On the other hand, concern disclosures let investors see how capable the firm fixes itself to be a better one. Besides being beneficial for investors, this research benefits the government in terms of providing CSR information in the banking sector and in line with government's intention to raise society's welfare. One limitation of this research is that it does not determine how big each ownership proportion is to enhance firm value. The following research can consider discovering the right proportion related to ownership. Although CSR empirical measurements are varied while the business keeps developing, it is highly probable that the CSR measurement method also develops. It is undoubtedly expected that future researchers can apply the up-to-date CSR measurement method.

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Appendix

Category	Strengths	Concerns
Community	Generous giving Innovative giving Housing support Education support People relations Non-US giving Voluntary programs Other strengths	Investment controversies Negative economic impact Indigenous people relations Tax disputes Other concerns
Corporate Governance	Limited compensation Ownership strength Transparency strength Accountability strength Public policy strength Other strengths	High compensation Ownership concern Transparency concern Accountability concern Public policy concern Other concerns

Diversity	CEO Promotion Board of directors Work-life benefits Women and minority Employment of the disabled Gay and lesbian policies Other strengths	Controversies Non-representation Other concerns
Employee Relations	Union relations No-layoff policy Cash profit sharing Employee involvement Retirement benefits Health and safety Other strengths	Union relations Health and safety concern Workforce reductions Retirement benefits concern Other concerns
Environment	Beneficial products Pollution prevention Recycling Clean energy Property, plant and equipment Other strengths	Hazardous waste Regulatory problems Ozone depleting chemicals Substantial emissions Agriculture chemicals Climate change Other concerns

Human Rights	Positive record in S. Africa Indigenous people relations Labor rights strength Other strength	S. Africa Northern Ireland Burma concern Mexico Labor right concern Indigenous people relations concern Other concerns
Products	Quality R&D, innovation Benefits to economically disadvantages Other strengths	Product safety concern Marketing-contracting concern Antitrust Other concerns

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