

The Effect of Executive Diversification on CSR with Banking Performance an Intervening Variable

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Abstract

The aim of this study is to investigate the impact of Executive Diversification on Corporate Social Responsibility (CSR) with banking performance as a mediator. The research will focus on data from banking firms that are listed on the IDX. The research will explore how executive traits (such as nationality, ethnicity, and gender) affect CSR, with banking performance acting as a mediating factor. The variables involved are Executive Citizenship, Executive Ethnicity, and Executive Gender. The study will use multiple linear regression to test the hypothesis, utilising panel data and E-Views 12 for analysis. The research findings suggest that executive traits, specifically citizenship, ethnicity, and gender, do not significantly influence CSR. The connection between executive traits such as citizenship and ethnicity and CSR through banking performance cannot be proven using banking performance as a mediator. However, when it comes to executive traits based on gender, banking performance can demonstrate the impact of gender on CSR. Executive traits related to citizenship, ethnicity, and gender all play a role in influencing CSR through banking performance.

Keywords: Foreign Executive, Ethnic Executive, Gender Executive, CSR, Banking Performance.

1. Introduction

There has been a notable transformation in Corporate Social Responsibility (CSR) within the banking sector between 2021 and 2023. Based on the KPMG report (2023), the allocation of banking CSR funds for community health and social programs increased by 27% from 2021 to 2023. This is in line with the research of Putranto and Kewal (2020) who argues that the implementation of CSR not only plays a role as a tool to improve reputation but also plays an important role in building trust among customers and stakeholders. The McKinsey Banking Report (2023) shows a 34% increase in customer trust compared to 2021 in banks with strong CSR programs, showing that executive characteristics of CSR decision-making greatly affect program effectiveness, as mentioned by (Zahra et al., 2022).

In the banking sector, Corporate Social Responsibility (CSR) has become a vital element, requiring companies to not only focus on delivering high-quality financial services but also on making positive impacts on society and the environment. In the banking industry, the implementation of CSR not only serves as a tool to improve the company's reputation, but also plays an important role in building trust with customers and stakeholders. Effective CSR implementation can mitigate operational and reputational risks, which ultimately affect the bank's financial performance (Putranto & Kewal, 2020).

The integration of corporate social responsibility (CSR) into the practices of a bank is influenced by the qualities of its top executives. These executives hold significant decision-



making power and play a crucial role in shaping the company's goals and approaches, which also includes CSR initiatives. Leaders with a strong foresight about the organisation's future are more likely to recognise CSR as an essential component of their overall business strategy, rather than just a mandatory requirement (Zahra et al., 2022). Executive characteristics, such as nationality, ethnicity, and gender, can affect the implementation of CSR that is more inclusive and effective, while significantly influencing banking performance (Putranto & Kewal, 2020). And it can also help companies fulfill social responsibility, improve long-term sustainability, and strengthen corporate reputation.

Executives with different citizenship backgrounds, especially those from abroad, often bring a global perspective and international standards related to CSR (Khan, Khan, & Saeed, 2020). Experience with stricter regulations or higher social expectations of social responsibility in their home country allows them to introduce innovative and sustainable CSR practices. Foreign managers are also known to have a heightened awareness of global concerns such as climate change, human rights, and environmental sustainability. This enables them to enhance the company's CSR efforts by introducing more advanced and globally recognised initiatives (Rahma & Aldi, 2020). Ethnic diversity within the executive ranks provides a better understanding of the needs and preferences of various community groups (Azam et al., 2021). Executives from different ethnic backgrounds can better understand and respond to the needs of local communities that may be underrepresented in traditional decision-making. This ethnic diversity can facilitate CSR programs that are more inclusive and focus on the needs of various communities (Khan et al., 2020).

The diversity of perspectives brought by gender executives can drive innovation in the design and implementation of CSR programs that can enable companies to develop solutions to social and environmental problems (Fahmi & Adhivina, 2020). Female executives are often associated with greater attention to social and environmental issues, such as community well-being, gender equality, education, and health. The presence of female executives can increase the company's focus on CSR initiatives related to women's empowerment, family health, and children's education. Furthermore, having women in leadership roles can enhance the decision-making process by offering a comprehensive and diverse viewpoint on societal issues (Nugroho & Widiasmara, 2021).

The diversity of executives can bring different perspectives on social and environmental issues. So that diverse executive characteristics can encourage companies to create and implement CSR programs that are more inclusive (Dupa et al., 2023), efficient, and in accordance with the needs of different communities, which can ultimately have a positive impact on the bank's overall reputation and performance (Rompis et al., 2020). As shown by Katmon et al. (2020) which indicates that executive characteristics positively influence CSR. The research of Khan et al. (2020) shows that executive characteristics have a positive effect on CSR.

Banking performance functions as a connecting variable that links executive diversification with the implementation of CSR. Based on the idea that diversification in executive characteristics can influence strategic decisions that impact bank performance, banking performance serves as a connecting variable that links executive diversification to CSR implementation. In the end, this performance encourages banks to implement CSR programs. Data from Bank Indonesia from 2023 shows that banks with superior financial performance (ROA of more than 1.5%) have a 45% greater allocation of CSR funds compared to banks with below-average performance in the industry. This fact shows that good financial performance makes banks more flexible and have more resources to support CSR initiatives. The determination of banking performance as an intermediary variable is considered

relevant because of the typical nature of the banking industry which relies heavily on public trust and is subject to strict regulations. Banks with solid financial performance have greater legitimacy to run CSR programs. On the other hand, successful CSR implementation can strengthen the bank's reputation, which ultimately has a positive impact on its financial performance.

Not much research has been done on the influence of CSR decision-making by executives on corporate performance and business diversification in the Indonesian banking industry, even though it is one of the largest and most influential economic sectors. This shows that there is still room for further research to understand the dynamics of CSR in the Indonesian banking industry. Thus, based on this explanation, the aim of this study is to investigate the impact of Executive Diversification on Corporate Social Responsibility (CSR) with banking performance as a mediator.

2. Literature Review

2.1. Agency Theory

The concept of Agency Theory, introduced by Jansen & Meckling in 1976, is elaborated upon in the study conducted by Pajaria et al. (2021) the relationship between the company's owner (principal) and its management (agent). In this relationship, shareholders give authority in decision-making and carry out various tasks on their behalf in managing the company. In this study, agency theory is used to comprehensively analyze how executive characteristics with various characteristics (foreign, ethnic, gender) affect CSR decision-making, then help explain how agent actions affect company performance which can have an impact on CSR implementation. In line with Pajaria et al. (2019), an agency arrangement involves an understanding wherein a party or parties (referred to as the principal) delegate responsibilities to another party (known as the agent) to carry out a service on behalf of the principal. Agents have the authority to make choices that benefit the public service.

2.2. Corporate Social Responsibility

Corporate Social Responsibility is viewed as a strategic investment that can enhance a company's standing, entice stakeholders, and foster positive connections with the community (Lee et al., 2022). The implementation of CSR demonstrates the organisation's dedication to enhancing societal well-being by adopting ethical business strategies and leveraging its resources effectively (Lee et al., 2020). This intersects with the field of accounting, which aids in accurately presenting corporate social initiatives in financial reports (Pajaria et al., 2021). Ubwarin et al. (2021) suggest that the annual report of a company plays a vital role in helping investors with their investment decisions. Companies engage in CSR disclosure not just to meet regulatory requirements, but also to ensure the sustainability of the business, which in turn can enhance long-term investments (Rahma & Aldi, 2020). The positive outcomes of Peru's CSR initiatives are not limited to internal stakeholders but also extend to the wider community.

2.3. Executive Characteristics of Citizenship

Citizenship executives, in the context of corporate management and governance, refer to the composition of the leadership team based on the citizenship background of the executives (Rahma & Aldi, 2020). Empirical studies in the field of international management and organizational behavior have shown that diversity of citizenship at the executive level can influence strategic decision-making, corporate performance, and corporate social responsibility (CSR) practices (Pajaria et al., 2021). Diversity of citizenship at the executive

level can increase a company's sensitivity to social and environmental issues, as well as have a better understanding of global challenges such as human rights and economic inequality (Zaid et al., 2020).

2.4. Characteristics of Ethnic Executive

Ethnic diversity within a company's leadership team is crucial for both its operational success and commitment to social responsibility, according to Rompis et al. (2020). The presence of decision makers from various ethnic backgrounds brings a range of perspectives, values, and experiences to the table, as highlighted by Rahma and Aldi (2020). Businesses can make more inclusive and innovative decisions because of this diversity, especially to meet the needs of various groups of people who may not be effectively represented in conventional decision-making processes (Azam et al., 2021). Executives from various ethnic backgrounds can provide a better understanding of social and environmental issues relevant to local communities (Rompis et al., 2020). Thus, CSR programs become more targeted and have a positive impact on society and company sustainability (Khan, et al., 2020). Additionally, ethnic diversity can help increase stakeholder trust, reduce information asymmetry between owners and management, and improve the transparency of CSR reporting (Pajaria et al., 2021). Therefore, ethnic diversity at the executive level is good for CSR disclosure and the company's overall financial performance. This shows that companies with executives from diverse ethnic backgrounds tend to perform social responsibility and achieve better financial performance.

2.5. Gender Executive Characteristics

At the top management level, having a balanced representation of genders is crucial for a company's decision-making process, particularly concerning corporate social responsibility (CSR) and financial success (Rompis et al., 2020). Female executives tend to be more attuned to societal and environmental concerns like welfare, education, and gender parity. This can lead to the development of more inclusive corporate strategies and enhance the effectiveness of CSR initiatives (Fahmi & Adhivina, 2020). Achieving gender equality in leadership positions is crucial as it can offer a wider range of viewpoints and enhance the efficiency of a company's CSR initiatives, as suggested by Park et al. (2021). In the scope of this research, having a balanced representation of genders at the top levels of management could enhance the transparency of CSR reporting and elevate the standing of banking institutions (Khan et al., 2020).

2.6. Company Performance

A company's success in achieving its business goals can be seen in its performance. Performance can be evaluated using financial indicators such as Return on Assets (ROA), Return on Equity (ROE), and revenue growth Rompis et al. (2020). How well a company utilises resources and generates value for its shareholders, customers, employees, and the broader community is reflected in its performance This study shows that a substantial correlation exists between Corporate Social Responsibility (CSR), executive attributes, and company performance (Zulkarnain, 2020). By doing it right, CSR can also improve a company's financial performance through increased customer loyalty and stakeholder support (Putranto & Kewal, 2020). Executive characteristics such as nationality, ethnicity, and gender affect the strategic decision-making process related to CSR policies (Rahma & Aldi, 2020). Executives who are diverse in terms of citizenship and gender have the ability to bring new perspectives and innovations in CSR implementation, which will ultimately lead to better company performance (Khan et al., 2020). Furthermore, it was discovered in this

research that the performance of a company acts as a mediator since a diverse group of executives can enhance company performance, ultimately leading to greater adoption of CSR practices. This indicates that the diversity among corporate executives and the performance of a company are interconnected and can contribute positively to corporate sustainability and social accountability.

2.7. Hypothesis

2.7.1. The Influence of Citizenship Executive Characteristics on CSR

In agency theory, the presence of executives with diverse citizenship backgrounds is believed to be able to minimize conflicts between pronagents and agents (according to the law). The presence of executives with foreign backgrounds has a significant role in supporting CSR reporting and enabling them to bring CSR practices internationally, which can improve the quality of CSR disclosure, and in general, foreign nationals have a high awareness and concern for clean environmental conditions, education, and health (Hasanah et al., 2021). This can influence management decisions in implementing CSR activities. The existing literature shows mixed results such as, the outcomes of a study from Katmon et al., (2020) citizenship possesses a substantial negative impact on CSR in 200 companies listed on Bursa Malaysia throughout 2009-2013. The results of a study from Khan et al. (2020) from 2010 to 2017, 57 companies listed on the Pakistan Stock Exchange found that citizenship had a notable impact on Corporate Social Responsibility (CSR) based on their reports. Drawing from multiple findings in previous studies, the hypothesis can be summarized as follows:

H1 : Characteristics of civic executivesn have a positive influence on CSR

2.7.2. The Influence of Ethnic Executive Characteristics on CSR

The diversity of ethnicities in agency theory can help align the interests of agents and principals by reducing s asymmetry and increasing transparency (Pajaria et al., 2021). According to Westphal and Milton (2000), various ethnicities among corporate executives can foster diverse perspectives, potentially enhancing a company's competitiveness. Moreover, a mix of ethnic backgrounds in leadership can lead to better insights on both financial and non-financial matters, surpassing the performance of homogenous executive teams (Butler, 2017). Research results from Azam et al. (2021) ethnic executives have a substantial positive influence on Corporate Social Responsibility in 65 companies listed on the Pakistan Stock Exchange from 2012-2018, while research results from Khan et al., (2020) ethnic executives have no effect on CSR on 86 firms registered on the Pakistan Stock Exchange during 2010-2017. Considering the various results in the existing literature, the hypothesis can be described as follows:

H2 : Characteristics of ethnic executives have a positive influence on CSR

2.7.3. The Influence of Gender Executive Characteristics on CSR

One perspective in agency theory suggests that having gender-diverse executives could enhance corporate governance efficiency and mitigate conflicts within the organisation (Pajaria et al., 2021). Many literary authorsshow that women react more quickly than men to social, environmental, and societal issues. This is due to the fact that they have a broader background, communicate better, and have a wider range of work experience, which allows them to develop new ideas and meet the needs of a wider range of stakeholders (Fahmi & Adhivina, 2020). Given the large number of empirical studies documenting the positive relationship between gender diversity and CSR practices (Katmon et al., 2019). Azam et al. (2021) found that the presence of women in leadership positions had a notable impact on

corporate social responsibility within 65 companies listed on the Pakistan Stock Exchange between 2012 and 2018. Drawing from a range of findings in prior research, the hypothesis can be summarised as follows:

H3 : Gender executive characteristics have a positive influence on CSR

2.7.4. The Influence of Citizenship Executive Characteristics on CSR through Banking Performance

The attributes of leaders in the financial industry play a significant role in the success of banks and the adoption of Corporate Social Responsibility (CSR) practices (Hunjra et al., 2021). Local executives generally have a deep understanding of the domestic market, regional regulations, and the social needs of the local community, which can contribute to the development of business strategies and CSR programs that are more targeted and effective (Zulkarnain, 2020). On the contrary, foreign executives often contribute global views, apply international practices, and bring more progressive corporate social responsibility (CSR) standards (Hasanah & Sisdianto, 2024). In the research of Zulkarnain (2020) found that foreign executives' traits have a beneficial impact on performance. Drawing from a range of findings in prior research, one can formulate the hypothesis in the following manner:

H4 : Characteristics of civic executives towards CSR have a positive influence through banking performance

2.7.5. The Influence of Ethnic Executive Characteristics on CSR through Banking Performance

The ethnicity of each group has different crocodile values, which can affect how an ethnicity views social and environmental responsibility. The difference in cultural values of an ethnic group will affect a person's behavior (Sulistiyani & Fachriyah, 2019). The differences in cultural values of an ethnic group will also play a role in shaping the habits in their business practices. Several previous studies by Akhter & Hassan (2023), In a study conducted by E-Vahdati and colleagues in 2018, it was found that the qualities of ethnic leaders can enhance the overall performance of a company. Drawing from these findings, one can propose the following hypothesis:

H5 : Characteristics of ethnic executives towards CSR have a positive effect through banking performance

2.7.6. The Influence of Gender Executive Characteristics on CSR through Banking Performance

According to a study by Koričan and Jelavić (2008) gender diversity and Corporate Social Responsibility (CSR) are said to be still facing issues despite the presence of female leaders. Research conducted by Oruc (2015) has shown that women hold significant roles in supporting CSR initiatives, not just at the director level but also as key business stakeholders. When Executives, gender diversity in organizational leadership can help make better and more inclusive decisions. This is because gender diversity offers different perspectives and backgrounds of experience, as well as a more comprehensive approach to solving problems within companies. In the research Rompis et al. (2020) found that the characteristics of Gender executives enhance performance positively. Based on the various results in the existing literature, the hypothesis can be described as follows:

H6 : Characteristics of gender executives towards CSR have a positive influence on banking performance

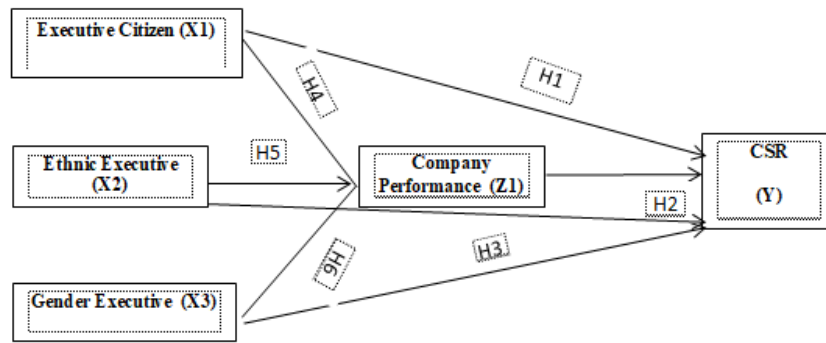


Figure 1. Research Framework

3. Methods

The research utilises a numerical approach combined with panel data analysis to assess the link between executive diversification and CSR, with banking performance as an influencing factor. The study population consists of banking firms listed on the IDX between 2021 and 2023. Samples were selected through purposive sampling, focusing on companies with data available on executive profiles and annual reports during the research period of 2021-2023.

3.1. Operational Definition and Measurement

In this research, the dependent variable used is Corporate Social Responsibility. There are three independent variables used, namely citizenship Executive, Ethnic Executive, and Gender Executive. In this study, the intervening variable used is Company Performance.

Table 1. Operational Research Variable

Variable Research	Variable Measurement	Reference Sources
Corporate Social Responsibility (CSR) (Y)	$CSRDi = \frac{QCSRDi}{SQMAX}$	(Alazzani, A; Wan-Hussin, W. N; & Jones, 2020)
Executive Citizenship (X1)	$DKA = \frac{A_KOM}{SUM_KOM}$	(Abad et al., 2017)
Ethnic Executive (X2)	$EDK = \frac{C_KOM}{SUM_KOM}$	(Harjoto et al., 2018)
Gender Executive (X3)	Gender executive information is measured with a value of 1 if there is a woman in the executive ranks, a value of 0 if there are no women in the executive ranks	(Antoro & Hermuningsih, 2018)
Company Performance (Z1)	$ROA = \frac{Net\ Profit}{Total\ Asset} \times 100\%$	(Mustahidda & Wahyono, 2022)

3.2. Data Collection Techniques

The study utilises secondary data for its research purposes. The information required includes executive profiles related to nationality, ethnicity, and gender. Data from the 2021-2023 annual report is being analysed in this study, sourced from the official website www.idx.co.id.

3.3. Data Collection Techniques

This research employs various linear regression analysis methods, specifically utilising panel data and the E-Views 12 analysis tool. Below is the regression model utilised in this study.

First equation : $Z = c + x_1 + x_2 + x_3$

Second equation : $Y = c + x_1 + x_2 + x_3 + z$

Third equation : $Y = c + x_1 + x_2 + x_3$

Description:

Y = CSR

C = Constant

X₁ = Citizenship Executive

X₂ = Ethnic Executive

X₃ = Executive Gender

z = Company Performance

4. Results and Discussion

The study focused on banking institutions that are publicly traded on the IDX between 2021 and 2023. A purposive sampling technique was employed, where participants were selected based on specific criteria. Below is a list of the participants involved in the research:

Table 2. Research Samples

No	Criterion	Total
1	Companies listed on the IDX	46
2	Organizations that don't publish annual reports and have information about the 2021-2023 executive profile	(22)
3	Total sample companies	24
4	Years of observation	3
5	Number of observations (24x3)	72

Source : processed data, 2025

During the 2021-2023 timeframe, a total of 46 companies were enlisted on the IDX. Out of these, 24 banking institutions disclosed complete information on research variables within the same period. This implies that there were a total of 72 banks utilized for observations.

4.1. Descriptive Statistic

In this research, an examination was conducted on data from 24 companies over the years 2021-2023, consisting of 54 sets of data. The results of the descriptive statistical analysis can be seen in table.

Table 3. Results of Descriptive Statistical Analysis

Variable	Obs	Min	Max	Mean	Std. Dev
CSR	72	0.179000	0.880000	0.461000	0.172122
CAKE		0.000000	0.200000	0.008194	0.034732
KEE		0.000000	1.000000	0.233264	0.204479
KEG		0.000000	1.000000	0.875000	0.333040
KP		-5.200000	14.75000	1.810833	2.389881

Source : data processed using eviews 12

Table 3 illustrates the range of citizenship executives' characteristics, with values ranging from 0.000 to 0.200 and an average of 0.008, along with a standard deviation of 0.034. The ethnic executive characteristics, on the other hand, have values between 0.000 and 1.000, with an average of 0.233 and a standard deviation of 0.204. In terms of gender executive traits, the values fall between 0.000 and 1.000, with an average of 0.875 and a standard deviation of 0.333. The dependent variable, Corporate Social Responsibility (CSR), ranges from 0.179 to 0.880, with an average of 0.461 and a standard deviation of 0.172. As for the performance of banking as an intervening variable, the values vary from -5,200 to 14,750, with an average of 1,810 and a standard deviation of 2,389.

4.2. Panel data regression analysis

4.2.1. Sub-Structural Equation 1

a) Chow test

Table 4. Chow Test Analysis

Effects Test	Statistic	d.f.	Prob.
Cross-section F	9.505517	(23,41)	0.0000
Cross-section Chi-square	132.888493	23	0.0000

Source : data processed using evIEWS 12

According to the results of the chow test, it is evident that the statistical value of Cross-section F is 9.505 with degrees of freedom 24.41, and the Cross-section Chi square value is 132.888 with degrees of freedom 23. In both cases, the probability value is 0.000, which is less than 0.05, leading to the rejection of H_0 . Therefore, the Fixed Effect Model (FEM) is the preferred choice based on these findings.

b) Hausman test

Table 5. Result of Hausman Test Analysis

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.733097	3	0.6296

Source : data processed using evIEWS 12

According to the findings of the Hausman test, the Cross-section Random statistics reveal a Chi-sq value of 1.733 with 3 degrees of freedom and a probability value of 0.629 which is higher than 0.05. As a result, we can reject the null hypothesis, suggesting that the chosen model is a Random Effect Model (REM).

c) Lagrange Multiplier test

Table 6. Results of Lagrange Multiple Test Analysis

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	3.502875 (0.0613)	0.112680 (0.7371)	3.615555 (0.0572)

Source : data processed using evIEWS 12

According to the findings of the Lagrange Multiple test shown in the table, it is evident that the probability value for the Breusch-Pagan Cross-section is 0.0613, which is greater than 0.05. This indicates that the selected model is the Common Effect Model (CEM).

4.2.2. Sub-Structural Equation 2

a) Chow test

Table 7. Chow Test Analysis

Effects Test	Statistic	d.f.	Prob.
Cross-section F	10.636418	(23,44)	0.0000
Cross-section Chi-square	135.430729	23	0.0000

Source : data processed using evIEWS 12

The results of the chow test reveal that the statistical values for Cross-section F and Cross-section Chi square support the rejection of H_0 , as the probability value is less than 0.05. This suggests that the preferred model is the Fixed Effect Model (FEM).

b) Hausman test

Table 8. Result of Hausman Test Analysis

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.086332	4	0.2786

Source : data processed using evIEWS 12

According to the findings of the Hausman test, the Cross-section Random statistics reveal a Chi-square value of 5.086 with 4 degrees of freedom and a probability value of 0.278 which is greater than 0.05. Thus, the null hypothesis is discarded, suggesting that the chosen model is a Random Effect Model (REM).

c) Lagrange Multiplier test

Table 9. Results of Lagrange Multiple Test Analysis

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	34.67419 (0.0000)	1.249135 (0.2637)	35.92333 (0.0000)

Source : data processed using evIEWS 12

According to the findings of the Hausman test, the statistics for Cross-section Random indicate a Chi-squared value of 5.086 with 4 degrees of freedom and a probability value of 0.278, which is greater than 0.05. Therefore, the null hypothesis is rejected, suggesting that the chosen model is a Random Effect Model (REM).

4.2.3. Sub-Structural Equation 3

a) Chow test

Table 10. Chow Test Analysis

Effects Test	Statistic	d.f.	Prob.
Cross-section F	11.031540	(23,45)	0.0000
Cross-section Chi-square	136.286086	23	0.0000

Source : data processed using evIEWS 12

Based on the results of the chow test, it is evident that the statistical significance of Cross-section F is 9.505 with a degree of freedom of 24.41, and the Cross-section Chi square value is 132.888 with a degree of freedom of 23. In both cases, the probability value is below 0.05, leading to the rejection of the null hypothesis. Therefore, the Fixed Effect Model (FEM) is considered the most appropriate model.

b) Hausman test

Table 11. Result of Hausman Test Analysis

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.769941	3	0.1894

Source : data processed using evIEWS 12

According to the findings from the Hausman test, the Cross-section Random data displays a Chi-squared value of 4.769 with 3 degrees of freedom and a probability value of 0.189 which is greater than 0.05. Therefore, the null hypothesis is dismissed, suggesting that the chosen model is a Random Effect Model (REM).

c) Lagrange Multiple test

Table 12. Results of Lagrange Multiple Test Analysis

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	34.67419 (0.0000)	1.249135 (0.2637)	35.92333 (0.0000)

Source : Data processed using evIEWS 12

The Lagrange Multiple test results indicated in the table above suggest that the probability value of the Breusch-Pagan Cross-section is less than 0.05, confirming the use of a Random Effect Model (REM) in the chosen model.

4.3. Classical Assumption Test

4.3.1. Normality Test

The normality test is a one-stage in classical assumption testing that finds out if the information in a study is normally distributed. In this study, the method used to test the normality of the data is the Jarque-Bara Test. The data is considered to be properly distributed if the probability is greater than 0.05.

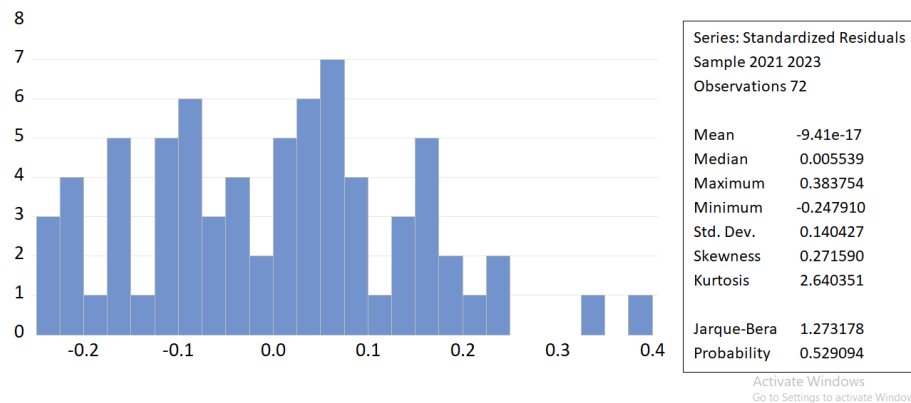


Figure 2. Normality Test Results
Source : data processed using eviws 12

Based on the results of the normality test, it can be concluded that the data follows a normal distribution with a probability value of 0.5290. This suggests that the assumptions made in the model are valid.

4.3.2. Multicollinearity Test

The multicollinearity test is a technique employed to detect strong connections or associations between independent variables in a regression model. In this research, a correlation matrix was utilised to pinpoint multicollinearity.

Table 13. Multicollinearity Test Results

	Y	Z	X1	X2	X3
Y	1.000000	0.102501	-0.038653	0.232171	-0.528449
Z	0.102501	1.000000	-0.051592	0.070873	0.014112
X1	-0.038653	-0.051592	1.000000	0.266170	0.089725
X2	0.232171	0.070873	0.266170	1.000000	-0.332247
X3	-0.528449	0.014112	0.089725	-0.332247	1.000000

Source : data processed using eviws 12

Based on the values of the multicollinearity test shown in the table, it can be determined that the research data does not violate the assumption of multicollinearity. This is evident from the value of 0.1025, indicating a lack of strong correlation. Therefore, it can be inferred that the regression model for the factor studied does not show a significant connection.

4.3.3. Heteroscedasticity Test

The purpose of the Heteroscedasticity Test is to detect variations in residual variance within regression models. The Breusch-Pagan-Godfrey test is the technique utilised in this research to assess heteroscedasticity.

Table 14. Heteroscedasticity Test Results

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

F-statistic	0.458874	Prob. F(7,64)	0.8605
Obs*R-squared	3.440932	Prob. Chi-Square(7)	0.8414
Scaled explained SS	2.229861	Prob. Chi-Square(7)	0.9460

Source : data processed using eviws 12

Based on the autocorrelation test results shown in the previous table, it can be inferred that the regression model used in this study does not adhere to the autocorrelation assumption, as the value is 0.4322, exceeding the threshold of 0.05. Therefore, it can be deduced that there are no residual errors detected between the observations.

4.3.4. Autocorrelation Test

The autocorrelation test is used to identify any correlations between residuals in regression models at various points in time. The results of this test determine the presence of autocorrelation.

Table 15. Autocorrelation Test Results

F-statistic	1.000061	Prob. F(12,59)	0.4604
Obs*R-squared	12.16963	Prob. Chi-Square(12)	0.4322
Scaled explained SS	9.443386	Prob. Chi-Square(12)	0.6647

Source : data processed using evIEWS 12

The results of the heteroscedasticity test presented in the table indicate that the probability value is 0.8414, which is greater than 0.05. Therefore, it can be concluded that the regression model in this study is not impacted by the issue of heteroscedasticity.

4.4. Hypothesis Test

4.4.1. Sub-Structural Equation 2

a) T-Test

Table 16. Results of Partial Test Analysis (T Test)

— Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.531939	0.058272	9.128513	0.0000
X1	-0.332071	0.786837	-0.422033	0.6744
X2	0.133345	0.097573	1.366611	0.1763
X3	-0.119453	0.046611	-2.562745	0.0126
Z	0.002871	0.004810	0.596895	0.5526

Source : data processed using evIEWS 12

The value of the coefficient of Citizenship Executive Characteristics (X1) -, with a probability value of $0.6744 > 0.05$, means that the variable Citizenship Executive Characteristics (X1) has no effect on Corporate Social Responsibility (CSR) through Corporate Performance (Z). The Ethnic Executive Characteristics coefficient (X2) has a value of , with a probability of $0.1763 > 0.05$, indicating that there is no impact of Ethnic Executive Characteristics variable (X2) on Corporate Social Responsibility (CSR) through Performance Company (Z). The Gender Executive Characteristics coefficient (X3) is 0.119453 with a probability of $0.0126 < 0.05$, suggesting that Gender Executive Characteristics variable (X3) does influence Corporate Social Responsibility (CSR) through Corporate Performance (Z). The Company's Performance Coefficient (Z) holds a significance of 0.002871 with a probability of $0.5526 < 0.05$, indicating that Corporate Performance does not play a role in Corporate Social Responsibility (CSR).

b) F and R-squared test

Table 17. F and R. squared Test Results

F Test	0.040857
R-squared	0.136471

Source: Data processed by researchers using Eviews 12

As per the f test results displayed in the above table, the probability value (F-statistic) of 0.040857 is less than 0.05, indicating that Citizenship Executive Characteristics, Ethnic Executive Characteristics, and Gender Executive Characteristics collectively influence Corporate Social Responsibility (CSR). The R-squared coefficient from the test findings is 0.013477, suggesting that 13.64% of the variance in Corporate Social Responsibility (CSR) can be accounted for by Citizenship Executive Characteristics, Ethnic Executive Characteristics, and Gender Executive Characteristics, with the remaining variance attributable to factors not considered in this study.

4.4.2.Sub-Structural Equation 3

a) T-Test

Table 18. Results of Partial Test Analysis (T Test)

— Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.535914	0.057343	9.345834	0.0000
X1	-0.314669	0.778608	-0.404143	0.6874
X2	0.133334	0.096641	1.379684	0.1722
X3	-0.118215	0.046121	-2.563128	0.0126

Source : data processed using eviews 12

The coefficient value of Citizenship Executive Characteristics (X1) is not significant in influencing Corporate Social Responsibility (CSR) based on the probability value of 0.6874 which is greater than 0.05. Similarly, the Ethnic Executive Characteristics coefficient (X2) does not have an impact on CSR as its probability value of 0.1722 is also greater than 0.05. In contrast, the Gender Executive Characteristics coefficient (X3) is statistically significant in affecting CSR with a probability value of 0.0126 which is less than 0.05.

b) F and R-squared test

Table 19. F and R. squared Test Results

F Test	0.021341
R-squared	0.131994

Source: Data processed by researchers using Eviews 12

According to the f test in the table above the probability value (F-statistic) 0.021341 < 0.05, this explains that Citizenship Executive Characteristics, Ethnic Executive Characteristics, and Gender Executive Characteristics simultaneously affect Corporate Social Responsibility (CSR). According to the test outcomes, the R-squared coefficient is 0.0131994, which means that Corporate Social Responsibility (CSR) can be explained by Citizenship Executive Characteristics, Ethnic Executive Characteristics, Gender Executive Characteristics, by 13.19%, while the rest can be accounted for by variables outside of this study.

4.4.3. Sobel Test

Table 20. Sobel Test Result

Variable	Sobel Test-Statistic	Prob
X1>Z>FV	-0.45049142	0.65235614
X2>Z>FV	0.48819518	0.6254116
X3>Z>FV	0.36440915	0.7155525

Source : Data processed (2025)

4.5. Hypothesis Test

4.5.1. Inclusive Characteristics of Citizens Affect CSR

The Citizenship Executive Characteristics Hypothesis Shows H1 is rejected. The study's findings showed that the Citizenship Executive Characteristics variable had no effect on CSR. This indicates that the presence of foreign executives in the banking leadership structure in Indonesia does not automatically increase the company's commitment to CSR, this can be due to regulatory factors that deploy CSR policies, so that decisions related to CSR are more influenced by the entire firm policy than the individual preferences of foreign executives. The findings of this investigation align with previous studies (Rahma & Aldi, 2020) which states that the citizenship status owned by an executive is not a guarantee to increase CSR disclosure in banking companies in Indonesia, this is because executive officials have responsibility for CSR disclosure. However, this result is contrary to research (Katmon et al., 2020) which found that the presence of foreign executives tends to bring international standards and best practices in implementing CSR, thereby improving the quality of disclosure.

4.5.2. Ethnic Executive Characteristics Affect CSR

The theory of ethnic executive qualities suggests that the hypothesis H2 has been disproved. The study findings revealed that the Ethnic Executive Characteristics variable did not impact Corporate Social Responsibility (CSR). This implies that although having a diverse ethnic background in executive leadership may offer varied perspectives in decision-making, it does not significantly impact CSR initiatives in the banking sector. The outcomes of this research align with previous studies (Khan, Khan, & Senturk, 2020) which found that ethnic diversity does not always have a direct impact on how well CSR is disclosed, especially when strategic decision-making does not fully pay attention to social inclusion. However, this result is contrary to research (Azam et al., 2021) which found that ethnic diversity in executive leadership has a positive and significant effect.

4.5.3. Gender Executive Characteristics Affect CSR

The Gender Executive Characteristics Hypothesis has been supported by finding H3 to be valid. The research findings suggest that Gender Executive Characteristics have an impact on Corporate Social Responsibility (CSR). It suggests that having a diverse group of female executives in banking leadership positions can indirectly enhance a company's CSR performance. According to agency theory, having women in leadership roles is linked to greater transparency and improved governance, which can promote the adoption of CSR practices. Consistent with previous studies (Azam et al., 2021), female leaders are shown to be more attuned to social concerns.

4.5.4. Characteristics of Citizenship Executives on CSR Affect Banking Performance

The hypothesis that Executive Characteristics of Citizenship have an impact on CSR within banks is not supported by the findings. The p-value of 0.65235614 from the sobel test is greater than the significance level of 0.05, suggesting that there is no mediating effect on the relationship between Executive Characteristics of Citizenship and CSR. This research demonstrates that the behaviour of civic executives does not affect CSR, either through direct actions or indirect influence.

4.5.5. Ethnic Executive Characteristics on CSR affect banking performance

The theory regarding ethnic executive traits proposes that the hypothesis H5 has been disproved. According to the sobel test findings, the p-value of 0.6254116 is greater than 0.05, signifying that the bank's performance was not influenced by Ethnic Executive Characteristics in relation to CSR. Consequently, this research emphasises that CSR is not impacted by the attributes of ethnic executives, whether it be through direct or indirect means.

4.5.6. Gender Executive Characteristics on CSR Affect Banking Performance

The Gender Executive Characteristics Hypothesis indicates that H6 has been disproved. The sobel test results show a p-value of 0.7155525, exceeding 0.05, which suggests that the bank's performance was not influenced as a mediator in the Gender Executive Characteristics and CSR relationship. This research emphasises that CSR is not impacted by the gender executives' traits, whether through direct or indirect means.

5. Conclusions

This study aims to investigate how the diversification of executive characteristics impacts Corporate Social Responsibility (CSR), with banking performance as a factor in between. The findings from regression analysis reveal that executive characteristics like nationality, ethnicity, and gender do not play a significant role in influencing CSR. Additionally, the data analysis suggests that banking performance does not support the link between executive characteristics based on nationality and ethnicity and CSR through banking performance. Nevertheless, the situation changes when it comes to gender-based executive traits, as banking performance is able to demonstrate the impact of these characteristics on CSR through banking performance.

After examining the findings of the study, it has been determined that the nationality, ethnicity, and gender of executives do not directly impact the communication of corporate social responsibility (CSR). Moreover, the nationality and ethnicity of executives do not influence CSR disclosure through banking performance as a mediator. Nevertheless, the gender of executives does have an impact on CSR disclosure through banking performance.

This research has some limitations that cannot be avoided. One of these limitations is the limited number of samples for banking companies that disclose executive profiles and are listed on the Indonesia Stock Exchange during the 2021-2023 period. Therefore, the results and conclusions of this study cannot be generalized to companies in other sectors.

Additional studies are recommended to broaden the range of participants by incorporating various industry fields in order to improve the applicability of results. It is also advisable to take into account different influencing factors like corporate culture or

regulatory measures that could influence the connection between executive diversity and Corporate Social Responsibility (CSR).

6. References

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