

Simultaneous Relationship among Strategic Corporate Social Responsibility, Corporate Governance, and Firm Performance: Evidence from Indonesia

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Abstract : The main objective of this study is to examine the empirical association among strategic corporate social responsibility (Strategic CSR), corporate governance (CG), and firm performance by investigating their causal effects. In order to get the comprehensive result, this study uses CSR variables which consist of Strategic CSR, Non-Strategic CSR and CSR as a whole. Exerting the two stage least square (2SLS) method, the result showed that CG mechanism positively influences CSR, Non-Strategic CSR, and firm performance (both ROA and PBV). CSR and Non-Strategic CSR positively influence ROA. Meanwhile CSR, Strategic and Non-Strategic CSR positively influence PBV. Firm's Strategic CSR engagement plays a significantly positive role in enhancing PBV. The results supported the social impact hypothesis, agency theory, and conflict resolution theory.

Keywords : corporate financial performance, corporate governance, corporate social responsibility, strategic corporate social responsibility

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