

## Governance and Financial Constraints the Impact on Corporate Social Responsibility Implementation in Cooperatives

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**Abstract :** Corporate Social Responsibility (CSR) initiatives have been widely discussed especially in investor-oriented firms. In contrast, cooperatives pay less attention to CSR because their activities have integrated the responsibility and the solidity of social, economic and environment. On the other hand, by adopting ownership theory and agency theory - cooperatives ignore CSR investment due to unclarified decision control in the governance and the limitation to acquire the capital financed. The unique governance and financial structures in cooperatives lead to the conflict among the stakeholders and long-term investment which have an impact on firm financial performance. As an illustration of cooperatives dilemmas, we address the question of Whether or not cooperatives in term of governance and financial structures are the constraints on implementing CSR policies. We find that the governance and financial structures in large cooperatives are the influence factors which predispose cooperatives to invest on CSR. In contrast, in the startup or small cooperatives, its governance and financial structures are the constraints on implementing CSR policies. We propose the alternative financial structure based on the trade-off between debt and equity which aims to relax the restrictions in cooperatives' governance and allow cooperatives to acquire the capital financed either from its members or non-members. We suggest that engaging equity as a financial structure induces cooperatives to invest on CSR policies. Alternative financial structure eliminates not only cooperative ownership control problem but also the constraints in capital acquisition. By implementing CSR activities consistent with the alternative financial choice, cooperatives can increase firm's value and reduce the conflict among their stakeholders.

**Keywords :** cooperatives, corporate social responsibility, financial, governance

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