ABSTRACT

This study aims to obtain empirical evidence about the directly influence of corporate social responsibility on financial performance and the indirectly influence through implementation of enterprise risk management. Moreover, this study also examines moderation influence of R&D intensity on relation between corporate social responsibility and enterprise risk management. This object study are manufacturing firms listed on the Indonesia Stock Exchange (IDX) throughout 2019-2022. Stakeholder and legitimacy theory used to explain relation between corporate social responsibility, financial performance, and enterprise risk management with legitimation from stakeholders. Resource-based view theory also used to explain that research and development be a process of firms to maintain competitive advantage.

This quantitative study uses the SEM-PLS (Structural Equation Modeling – Partial Least Squares) analysis method. Data analysis was performed with the outer and inner model testing, while hypothesis testing with bootstrapping (path coefficients testing). Purposive sampling used as the sampling method based on certain criteria and obtained 134 firm samples from 980 observations. The measurement of CSR uses ESG score from Bloomberg and the measurement of ERM uses ERMI index. ROA and Tobin's Q used as the measurement proxy of financial performance and R&D expenditure divided by total assets used to calculate R&D intensity.

The results of the analysis show that corporate social responsibility has no a positive and significant directly influence on financial performance. However, corporate social responsibility has a positive and significant indirectly influence on financial performance through implementation of enterprise risk management. R&D intensity significantly weaken the positive influence between corporate social responsibility and enterprise risk management.

Keywords: Corporate Social Responsibility, Financial Performance, Enterprise Risk Management, R&D Intensity, Stakeholder Theory, Legitimacy Theory, Resource-Based View Theory