A Brief Literature Review Paper on the Effect of Corporate Governance and Corporate Social Responsibility on Firm Performance

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Abstract:- The purpose of the paper is to review and critically analyse existing literature on the effect of corporate governance (CG) and corporate social responsibility (CSR) on firm performance. A rigorous electronic search of the Google Scholar engine was conducted using the application of Boolean logic to search for relevant articles from 2013–2023. The literature included peer reviewed journals for reliability, abstracts ,articles that studied the relationship between CG, CSR, and firm performance, and research papers that discussed the effect of either CG or CSR on performance. Findings established that the common CG variables employed by researchers are the size of the board, independence of the board, proportion of independent board members, and gender diversity in the board. Most researchers identified Tobin's Q, Return on Assets (ROA), and Return on Equity (ROE) as the dimensions for firm performance. It was also found that the majority of the research done after 2013 has noted a significant positive effect of CG on performance. The research concluded that there is need to focus on the wholesome effect of CG on firm performance and therefore come up with a comprehensive CG index for emerging economies.

Keywords:- *Corporate Social Responsibility, CG, Firm Performance, Board Structure.*

I. INTRODUCTION

The questions of CG and corporate social responsibility and their corresponding effects on firm performance have been extensively researched; however, the research in this area is still relevant because different studies on these concepts bring about conflicting results (Mahrani&Soewarno, 2018). Furthermore, CG and CSR have been viewed first from the point of view of agency theory, progressing to shareholder theories, and now the focus has shifted towards stakeholder theory. The stakeholder theory focuses on the stakeholders, including suppliers, employees, and society, rather than the profit motive of shareholders alone. In essence, the focus of CG has progressed from agency theory to shareholder theory and, consequently, to stakeholder theory.

The question that stands is: will employing good CG and good CSR improve the performance of the firm? The relevance of this paper is that it will provide a professional overview to investors, shareholders, stakeholders, and academia on the effect of engaging in CSR activities and the impact of good CG. The role of CG and CSR on firm performance has been a mainstream concern, with research coming up with varied perspectives, as argued by Sarwar et al. (2022). Differing views have been proffered by different researchers, with some arguing that CG has a positive impact on a firm's performance (Purbawangsa et al.,2020, Sarwar et al.,2022, Zarefar, &Sawarjuwono, 2021), whilst others argue for a negative relationship between firm performance and CG (Mukhtaruddin, et al., 2019). On the other hand,Slobodan et al. (2021) s saw a weak positive relationship between the two variables.

This study is of paramount importance to the debate of CG and firm performance because it adds a different dimension by juxtaposing the use of CG variables independently and using a CG index that is inclusive of varied CG variables to measure good CG. The objective of the article is to make a systematic literature review of the findings made by other researchers regarding CG, CSR, and firm performance. The focus will be on exploring the CG variables and measures of performance employed to analyse the effect of CG and CSR on firm performance. The variables will be highlighted to explore the quality of overall CG in relation to firm performance. The quality of CG and firm performance will be the most relevant factors in this paper, while CSR will be the mediating variable.

Due to inconsistencies in the results of the effect of CG and CSR on firm performance, some researchers had to introduce some mediating variables to the research to improve on their findings (Purbawangsa et al., 2020). Mediating variables are regarded as another variable besides independent and dependent variables (Kenny ,1986). However, Aluchna and Menkes (2019) argue that the moderating variable should have a relationship with both the dependent and independent variables. While Mukhtaruddin (2019) proposed financial performance as a moderating variable, Waheed et al. (2021) employed the role of institutional investors and their investment as moderating variables, and Zain and Abdullah (2019) resorted to risk taking as the mediating variable in finding out the effect of CG on performance. However, the literature review will focus on research where CSR is considered either an independent variable or regarded as a moderating variable.

Through this article, contributions to existing literature will be made in the following ways: first, most research studies on the subject of the effect of CG on performance do not critically analyse the CG variables employed or the performance variables employed. The focus of the research is therefore on the analysis of the different variables. Secondly, a proposed conceptual framework will assist firms in making decisions regarding employment of goodCG, CSR, and firm performance. The conceptual framework will include informative variables of CG to compare their effects

on firm performance. Thirdly the literature review will make a trail of the evolution of theoretical views of both CG and CSR

II. METHODOLOGY

To facilitate this research, the Google Scholar database was utilized, incorporating Boolean Logic search techniques. Keywords such as "Corporate social responsibility", "CG", and "Financial performance" were paired in various combinations to evaluate the diversity of results. From the initial search results spanning pages 1-10, a total of 85 papers were identified. Of these, 30 papers were specifically selected as they directly addressed the interrelationship between CG, CSR, and firm performance. The remaining articles contained concepts that were not pertinent to the central research theme.

For systematic documentation and synthesis of the literature, a table was constructed. This table cataloged essential details from each paper, including the author's name, the CG variables considered, the performance variables discussed, and the primary findings. The types of papers incorporated in this table varied, ranging from literature reviews and empirical studies to reviews and editorials.

To ensure the study's relevance and timeliness, the search span was confined to the decade between 2013 and 2023. It is worth noting that Aluchna and Menkes (2019) posited that prior to 2015, CSR, CG, and firm performance were often treated as independent variables. Thus, initiating the search from 2013 provided a window to capture the transitional phase leading up to 2015 when these themes began converging in academic discussions.

III. SECTION 3.0: CONCEPTUAL FRAMEWORK

A. CG

CG is defined by the Cardbury Committee (in Mahrani&Soewarno, 2018) as the set of rules that govern the relationships between different stakeholders of an entity, inclusive of managers, employees, and creditors. Nkem et al. (2015) and Kiel and Nicholson (2015) further allude to the fact that CG concerns the values and principles that shape the daily operations of an organisation. Aptly put, CG can be defined as how an entity is run. Whilst Aguilera andCrespi-Cladera (2016) view CG as encompassing the protection of shareholders, El andMawlawi (2018), in Nagalingam et al. (2022), view CG in terms of financial statements and procedures' implementation. Hence, CG cannot be detached from how management runs the organisation. In their paper presented at the Management International Conference (2015), Djokic and Duh outlined the major aspects of CG as encompassing risk management, board structure and governance remuneration, transparency and disclosure of information, CSR, shareholder rights, and audit and internal control. Furthermore, Slobodan, Rade, and Milan (2021) reiterate the role of CG in ensuring equal representation of all stakeholders and managing conflicts of interest.

Management, as stipulated by the agency theory, has the role of making decisions that guide the operation of the firm in line with the tenets of good CG. Mahrani and Soewarno (2018) allude to the fact that it is the duty and effort of management to increase companies' profits through the decisions they make. "Good CG practises are seen to benefit the company through reducing financial risk, increasing investment attraction, and positively affecting firm performance" (Zain &Abdullah, 2019).

It is worth noting that Jha and Mehra (2015) cites the main proponents of CG as the shareholders, chief executive officer, board of directors and all stakeholders of the organisation. However the main objective of CG can be summed up by Jha and Mehra (2015) who outlines the main objective as focusing on improved standard of procedures and optimising management systems and practices whilst being transparent to all stakeholders. Nagendrakumar (2022) postulates that good CG enables improved accessibility to capital, availability of quality employment, reduces corruption and improves organisational efficiency in terms of resource utilisation.

Efforts by management to increase profits are buttressed by increasing the company's operational activities. Thus, CG focusing solely on financial performance cannot be an asset for companies if it is detached from the assumptions of socially and environmentally responsible business. As a result, the research further considered the effect of CSR on company performance. However, Zarefar and Sawarjuwono (2021) further argue that CG and CSR are independent variables with different constructs, although the two are interconnected in terms of the operation of the company. As a result, researchers tend to study the two issues closely.

B. CSR

CSR involves choices about how the firm operates in the community it is invested in. Sarwar et al. (2022) argue that CSR is a relatively new concept; however, research from a decade ago has already focused on the concept; these include Jenkins (2006), Matten and Moon (2008), Godfrey et al. (2009), Du et al. (2010), Huang (2010) and Hacking and Guthrie (2008). According to Krisnawati et al. (2014), CSR evolved from the shortfalls of shareholder theory. To address the concept under shareholder theory, the stakeholder theory then came into play, where it was noted that the role of the board should not merely focus on shareholder satisfaction but on all the stakeholders.

Mahrani and Soewarno (2018) believe the concept of CSR evolves from the legitimacy theory, which postulates that a company has to abide by the rules and norms of the society and environment in which it is operating. In line with ISO 26000, CSR, it is the duty of the company to comply with established law, international behaviour norms, and ethical behaviour in its decision-making that governs society and the environment that it will be operating in. Contrary to the view of CSR pertaining to the triple bottom line, Waheed et al. (2021) view CSR as an agency problem; however, they pose that the solution to the CSR problem is improved CG, which will lead to positive firm performance.

Therefore, concerning a set definition of CSR, Zarefar and Sawarjuwono (2021) argue that there is no set definition for CSR, but the definition depends on the context in which one is basing their argument. However, they further advocate that the principle of CSR stems from the need for corporations to not only focus on profits but rather consider the triple bottom line, which takes into consideration people, the environment, and profit. As a result, a firm's CSR cannot be understood without understanding how the firm is run. In their editorial paper, Devinney, Schwalbach, and Williams (2013) advocate that CSR and CG need further exploration at both macro and micro levels.

However, the argument that exists is about the effect of CSR on the performance of a corporation. Does involvement in CSR activities increase a company's reputation, culminating in improved performance?

C. *Firm Performance*

Performance of an organisation is measured by how the firm is successful in line with a set benchmark. (Obajiet al.2015). In the research on the effect of CG on performance Nagendrakumar (2022) focused on integrated performance. Performance was further defined to accounting and finance performance, marketing performance, supply chain performance and integrated performance. However in this literature analysis paper firm performance will be explored from the researches under review. In their research Obaji et al (2015) further cites return on assets, return on equity and earnings per share as the common measures of performance, the performance of an organisation is a result of the policies and operations of the firm.

Most research has found that firm performance and CG are positively related. (Mahrani&Soewarno,2018, Waheed et al.,2021, Nagalingam et al. ,2022, Kamaliah, 2020, Ebaid, 2022&Purbawangsa, et al.,2020) .Consequently, it is believed that well-governed firms are associated with higher performance. This notion is presented by Michelberger (2016), who reiterates that higher firm performance and higher value are characteristics of a well-governed firm. According to Drucker (1993) and Friedman (1970) in Michelberger (2016), management's performance is measured by the fulfilment of the return on equity, market success, and profit functions of the management. According to these reflections, the measure of profit would be net income, return on equity, and earnings per share, while market access would be measured by revenue (Michelberger, 2016). On the same note, Nkem et al. (2015) argue that firm performance views how a company fared using an industrial benchmark and further reiterate that it is a subjective measure based upon the policies and operations of an organisation. However, in the public sector, it refers to firm performance as the function of what the sector is mandated to do.

From the literature review, it has been noted that performance has been viewed using the parameters of return on assets (ROA), return on equity (ROE), and mostly Tobin's Q (Purbawangsa et al., 2020,Adel et al., 2019& Kiel &Nicholson, 2004). On the same note Waheed et al. (2021) argue that Tobin Q's measurement of performance is reliable when viewing performance in the light of investors. The argument is that Tobin's q measure of performance is related to financing and disbursement. Lang et al. (1989) in Waheed et al. (2021) postulate that if Tobin's Q value is greater than one, it implies it is beneficial for investors to invest in that organisation.The conclusion is that firm performance is measured quantitatively. Research by Mahrani and Soewarno (2018) shows that CSR and CG have a positive effect on performance.

D. *CG and CSR Variables in Literature.*

Zarefar and Sawarjuwono (2021) argue that although CG and CSR exist independently and have different characteristics, they are interconnected in terms of operation ability of companies. They both affect the operations of companies. They further argue that in line with stakeholder theory, both CG and CSR aims at protecting stakeholders preferences. Jain and Jamali (2016) alludes that literature on CSR upholds good management which is in sync with good CG and emphasizes that for CSR to be effective, it has to be accompanied by good CG procedures. Failure of good CG will also result in the increased probability of CSR failure. As a result one can conclude that there is an interconnection between CG and CSR. Zarefar and Sawarjuwono (2021) further views a reciprocal relationship between the two variables citing that for a CSR program to be successful, there is need for effective and responsible governance.. In line with CSR, Juri et al. (2019), in their research on the impact of CSR on the quality of CG, discovered that a highly socially responsible company has many company benefits as compared to a company that does not engage in CSR.

IV. SECTION 4 THEORETICAL FRAMEWORK

A. *Shareholder Theory*

The shareholder theory focuses on the main purpose of the firm, which is to make profit for the shareholders. Krisnawati et al. (2014) argue that as the shareholder is the major player in the firm, measurement of a company's performance should focus on the achievement of shareholder financial gains. Timothy et al. (2013) relate that directors' and managers' fiduciary duties under the shareholder theory are to lead the company and focus on its shareholders only. This notion is further supported by Hansmann & Kraakman (2001) and Bainbridge (2003) in Timothy et al. (2013). However, this theory faced a number of challenges, bringing about other theories, including the stakeholder theory and the pyramid model of CSR.

B. *Agency theory*

Qu et al (2013) view the shareholder theory as being promoted by the agency theory. The main agenda of the agency theory is the emphasis that an institution comprises a contract between one who delegated work and one who performed the work, who are the principal and agent, respectively. Nkem et al. (2015) argue that the theory alludes to the relationship between the owners and those who control the organisation. Formally, an agency relationship is defined by Jensen and Meckling (1976) and Ludvigsen (2010) as a contract in which the owner gives trust to an outsider to run their business on their behalf. According to

the Agency theory there should be a positive relationship between the agent and the performance resultantly a positive relationship between CG and performance of an organisation. The foundation of this theory goes back to Adam Smith (1776), and its main thrust is on the problem of the separation of ownership and control. In terms of CG, the agency theory relates to the argument on the separation of roles between the owner and the agent, which can be the chief executive officer and the board chairman. However, role separation helps reduce agency challenges, and it is in line with both good CG and CSR, a notion alluded to by Cherian et al. (2020).

CSR is a phenomenon that management and shareholders may view differently. As different views regarding an issue arise, conflict arises. Feng et al. (2018) argue that the agency problem arises between shareholders and management due to their different views on the allocation of resources for CSR activities. However, as proposed by Waheed et al. (2019), the problem can only be overcome by incorporating good CG activities into the company's operations. In a bid to address the agency problem, Krisnawati (2014) then deduces that that is when the stakeholder theory emerged. According to Qu et al. (2013), the agency theory postulates a number of reasons why good CG is beneficial to the organisation. These include improved transparency, better monitoring and greater public disclosure. On the same note Nagendrakumar (2022) adds that in line with the agency theory, good CG help reduce expropriation cost thereby increasing investor confidence.

C. Stakeholder Theory

Nkem et al. (2015) and Zarefar and Sawarjuwono (2021) share the same sentiment that the major view of the stakeholder theory is the focus on meeting a number of stakeholders' interests rather than gathering and protecting shareholders' assets and internal stakeholders. However the study by Qu et al. (2013) regard stakeholder theory as an alternative to shareholder theory. The theoretical views of the stakeholders' theory support the need for CSR, where the firm needs to not only focus on the shareholders' wealth but rather address other numerous stakeholders' needs like the community, employees, suppliers, and the society in which they are operating, among others. Stakeholder theory implies that managers have to address the needs of all their stakeholders inside and outside their premises in their strategic planning and day-to-day decision-making. Nkem et al. (2015) further allude to the idea that organisations that prioritise the needs of all their stakeholders tend to financially perform better than ones that primarily focus on shareholder wealth maximisation only.

D. Legitimacy Theory

Zarefar and Sawarjuwono (2021) proffer the notion that companies operating in a community enter into a social contract where the company has to follow what the people in the community expect them to do. This idea forms the basis of the legitimacy theory. It implies that companies will show their belonging to a community when they engage in CSR activities. It is argued that CSR brings about a good reputation for the company, resulting in a positive impact on the community and enhancing the survival of the company.

Carroll (1991), in Krisnawati (2014), proposes the Pyramid Model of CSR, which is argued to derive from the Shareholders Theory. The pyramid model outlines that, besides the profit motive of an organisation, there are other responsibilities that the company has to address. There are four areas of responsibility that the firm has to cooperate on in order to attain maximum performance. The pyramid specifies that the firm first has to meet the economic responsibilities of generating profit for the firm, then move on to the second layer of legal responsibilities of obeying the rule of law. Carrol (1991) further asserts that the ethical aspect layer will then be required to do what is right, followed by philanthropic responsibility, where the business is expected to be a good citizen in the community.

V. KEY FINDINGS

A literature review table (Table 1) was formulated citing the author, CG variables, financial performance measurement, and the research.

Table 1: CG Variables, Firm Performance Measure and Research findings

Author	CG variables	Financial performance measurement	Results of the research
Mahrani and Soewarno, (2018)	independent board of commissioners, institutional ownership and audit quality	ROA, Tobin's q, Earnings per share	CSR positive effect on firm performance CG has positive effect on firm performance
Waheed, et al., (2021)	size of the corporate board, number of executive directors, number of non-executive directors, number of independent directors, CEO-duality, number of board meetings, board committees, managerial ownership, and big four CG index	Tobin's q	Positive effect on performance
Djokic,and Duh,(2015)	South East Europe CG Academic Network, (SEECGAN Index)	-	Positive effect on performance

Nagalingam et al (2022)	Board size	Accounting and finance performance, marketing performance, and logistics and supply chain performance.	Positive relationship between CG and firm performance
Kamaliah (2020)	Proportion of independent commissioners and audit committee.	return on assets and return on equity	CG has an effect on firm performance
Ebaid (2022)	board independence, board size and gender diversity,	csr	Board independence and board size has Positive and significant relationship with csr
Purbawangsa et al (2020)	Proportion of independent ,commissioners and audit committee	ROA,ROE	CG and performance have a significant and positive impact on performance
Sarwar et al (2022)	Board size, board meeting frequency, audit committee, ownership concentration	ROA, ROE, Tobin Q	CG has a positive effect on firm performance
Mukhtaruddin,et al (2019)	Good CG Index by The Bank of Indonesia CSR index	ROA	Good CG has positive but not significant impact on performance CSR has negative but significant effect on performance
Marin, et al (2021)	SEECGAN scorecard	ROA, Return on Sales (ROS)	There is a positive relationship between CG and performance
Zarefar and Sawarjuwono,(2021)	Transparency ,accountability, responsibility, independence and fairness		CG strongly affect performance of the company
Qu et al (2013)	CGQ index (CG Quotient) from Risk Metrics / Institutional Shareholder Service	Stock Return and Dividend Yield ,Tobin's Q, and Return on Assets (ROA) and Net Profit Margins (NPM)	Positive and significant relationship between CG and performance.

Source: Own presentation

A. CG Variables

From the literature review on the effect of CG and CSR on firm performance, it has been noted that the common CG variables that most researchers adopt are in line with the board of directors. It seems the general consensus of the researchers is that when considering CG, focus should be on the board of directors. In line with the board of directors, issues surrounded the independence of the board, chief executive officer role duality, independence of board commissionaires, the size of the board, the proportion of independent commissioners, and gender diversity within the board of directors (Mahrani&Soewarno, 2018, Nagalingam et al., 2022, Kamaliah, 2020, Zarefar&Sawarjuwono, 2021, andEbaid, 2022). The findings indicate that most researchers focus on board issues when addressing CG measures.

The review further revealed that, besides board of directors' issues, the other variable for CG was audit issues. Mahrani and Soewarno (2018) identified audit quality, while Kamaliah(2020), Purbawangsa et al. (2020), and Sarwar et al. (2022) identified the analysis of the audit committee as another variable for CG.

A few studies, however, used CG score cards or indexes when evaluating the CG aspect. Most research on countries from Southeast Asia employed the South East Europe CG Academic Network (SEECGAN Index) when evaluating CG (Djokic& Duh, 2015 and Slobodan et al 2021). However, Qu et al (2013), in their study on U.S. firms, employed the CG Quotient (CGQ) index from RiskMetrics/Institutional Shareholder Service.

According to Marin, et al, (2021), the SEECGAN Index encompasses 98 questions grouped into seven key categories of CG. The categories include structure and management of the board, shareholder rights, transparency and disclosure of information, audit and internal control, fees and rewards, risk management, and lastly, corporate social responsibility.

However, some studies used a specially revised and adapted CG index in order to assess the CG levels of an organisation (Mukhtaruddin et al., 2019). In their study on determining the effect of good CG and corporate social responsibility on firm value, Mukhtaruddin et al. (2019) employed the good CG index formulated by the Bank of Indonesia.

The SEECGAN Index encompasses 98 questions grouped into seven categories of CG. Djokic and Duh (2015) had to employ one tenet of good CG, which is the transparency index, in measuring CG in Slovenia.

B. *Firm performance*

Analysis of the literature review has noted that most researchers on the effect of CG on performance identified Tobin's Q, ROA, and ROE as the dimensions of measures for performance (Mahrani&Soewarno, 2018; Sarwar et al., 2022; Kamaliah, 2020;Purbawangsa et al., 2020 & Adel et al., 2019); however, Mahrani and Soewarno (2018,) included the variable of earnings per share, which gives more value to the measure of performance. Furthermore, Qu et al, (2013) added stock return, net profit margins, and dividend yield on top of Tobin's Q and Return on Assets (ROA). Regarding Tobin's Q Waheed et al. (2021) argue that Tobin Q's measurement of performance is reliable when viewing performance in the light of investors. The argument is that Tobin's q measure of performance is related to financing and disbursement. Lang et al. (1989) in Waheed et al. (2021) postulate that if Tobin's Q value is greater than one, it implies it is beneficial for investors to invest in that organisation.

According to Drucker (1993) and Friedman (1970) in Michelberger (2016), management's performance is measured by the fulfilment of the return on equity, market success, and profit functions of the management. According to these reflections, the measure of profit would be net income, return on equity, and earnings per share, while market access would be measured by revenue (Michelberger, 2016). On the same note, Nkem et al. (2015) argue that firm performance views how a company fared using an industrial benchmark and further reiterate that it is a subjective measure based upon the policies and operations of an organisation. However, in the public sector, it refers to firm performance as the function of what the sector is mandated to do.

Mahrani & Soewarno (2018) theoretically believes that good CG will have a positive impact on the financial performance of the firm since good CG reduces the risks of managers acting to their own interests at the expense of all its stake holders.

C. *Theoretical Perspective*

The perspective of the stakeholder theory reveals that both CG and CSR play an important role in protecting the interests of the various stakeholders. The results of the literature review further reveal that CG and CSR collaborate in achieving positive firm performance. CSR activities are only successful where there are good CG practices. Zarefar and Sawarjuwono (2021) reveal that the two variables share independence and convergence, further arguing that the two are a single entity. The argument is that CSR policies promote the involvement of stakeholders, which in turn promotes good governance. Furthermore, Waheed et al. (2021) reiterate that CSR and CG are interrelated because they both focus on shareholder satisfaction.

It is worth noting that not only does CSR positively affect firm performance but as alluded to by Zarefar and Sawarjuwono (2021) CSR has got a positive impact on the triple bottom line which encompasses the people, the environment and the economic or profit.

In line with the agency theory, Nagendrakumar (2022) elucidates that CG's role involves minimising conflicts between the shareholders and the management. The agency theory therefore guards against opportunistic behavior which would affect the firm's performance.

VI. RESULTS ANALYSIS

A. *Relationship between CG and firm performance*

Most recent empirical studies has found out that firm performance and corporate governance are related. (Kamaliah, 2020, Mahrani & Soewarno ,2018, Nagalingam et al. ,2022, Purbawangsa, et al.,2020 and Waheed et al.,2021,) . However although the researches saw a relationship between corporate governance and performance, the overall conclusion on the extent of the relationship had mixed results and no consensus could be reached on the amount of significant relationship between corporate governance and performance. In the research on the impact of corporate governance and performance, Michelberger, (2016) concluded that there was no consistent relationship between corporate governance and performance. Furthermore it was observed that inconsistent results mostly emanated from small samples and shorter periods of analysis.

A number of researches argued that there is a positive relationship between the CG and the firm performance as well as the financial performance of the company (Krafft, et al 2014, Yu et al. 2016, and Pillai and Al-Malkawi, 2017). However in their research, Slobodan et al. (2021) noted a weak positive relationship between corporate governance quality and return on assets indicators. They further alleged that more companies with good corporate governance practices had above average growth rates which is backed by high performance, whilst companies with low corporate governance practices have below average growth rates, implying that they have got low performance.

Another view is that there is no correlation between CG and firm performance (Gupta, et al 2013). On the extreme end is some schools of thought that there is negative correlation between CG and firm performance (Hutchinson (2002); Bauer et al. 2004; Giroud and Mueller 2010).

Despite the contradicting results of the academic regarding the performance of corporate governance ,CSR on performance , the majority of the researches after 2013 have noted a significant positive effect of corporate governance on performance, (Arumega & Sawarjuwono,2021, Ebaid, 2022,Kamaliah, 2020, Mahrani& Soewarno,2018, Mukhtaruddin,et al .,2019, Nagalingam et al.,2022, Purbawangsa, et al.,2020, Qu et al.,2013, Sarwar,et al., 2022, Slobodan,et al.2021, Waheed, et al., 2021,and Zarefar& Sawarjuwono,2021).

The conclusion points to the fact that as the years goes by, there is greater appreciation of good CG hence the positive relationship between CG and form performance.

B. The relationship between CSR, CG and Financial Performance

A substantial number of studies in management literature focus on CSR and CG a point alluded to by Salciuviene et al., (2016).

Zarefar and Sawarjuwono (2021) argue that although corporate governance and CSR exist independently and have different characteristics, they are interconnected in terms of operation ability of companies. They both affect the operations of companies. They further argue that in line with stakeholder theory, both corporate governance and CSR aims at protecting stakeholders preferences. Jain and Jamali (2016) allude that literature on CSR upholds good management which is in sync with good corporate governance and emphasizes that for CSR to be effective, it has to be accompanied by good corporate governance procedures. Failure of good corporate governance will also result in the increased probability of CSR failure. As a result one can conclude that there is an interconnection between corporate governance and CSR. Zarefar and Sawarjuwono (2021) further view a reciprocal relationship between the two variables citing that for a CSR program to be successful, there is need for effective and responsible governance. In line with CSR, Juric et al. (2019), in their research on the impact of CSR on the quality of corporate governance, discovered that a highly socially responsible company has many company benefits as compared to a company that does not engage in CSR.

In their paper on integration of CSR and CG Aluchna and Maria Roszkowska-Menkes (2019) reiterates that until 2015 the concepts of CSR and CG appeared separately as individuals but after 2015 the two concepts tended to be interlinked in research. They further alluded that focusing on the effect of CG on financial performance without incorporating CSR will not bring the true results of the matter and neither does focus on CSR without regarding issues of strategy and governance bring wanted results.

Corporate governance (CG) focusing solely on financial performance cannot be an asset for companies if detached from the assumptions of socially and environmentally responsible business.

Another school of thought is that the relationship between CSR and firm performance is like a “virtuous circle” implying if the organisation engages in socially good activities, it will translate to a healthy performance form. A sound performance company will allocate more resources to CSR activities.

In their literature review paper on integrating CSR and CG at the company level, Aluchna and Maria Roszkowska-Menkes (2019) and Filatotchev and Nakajima, (2014) noted that the interconnection between CG and CSR is affected by the different legal systems and institutional characteristics within a country. The composition of the board is further influenced by the way the organisation relates to the society.

VII. DISCUSSIONS

It emerged from the literature review that after the financial crisis, the issue of the effect of CG on firm performance continued to be a topical issue. However, a literature review has discovered that limited aspects of CG are being employed in the research regarding CG issues. Notably, board of directors issues are the most considered when referring to CG. These include board size, independence of the board, gender issues on the board of directors, and other qualities of the board of directors. Evidence showed that audit quality is the other CG variable that is drawing attention in the research. The view is that research now focuses on audit issues as a lack of transparency and accountability contributed to the financial crisis of the early 2000s, which led to the formulation of the Sarbanes-Oxley Act, signed into law in 2002. It is against this background that research is now underway to discover the relationship between performance and the adoption of the correct audit practices.

It was also noted that there are other dimensions of CG that can be employed to measure the quality of CG. Different CG indexes offer different aspects of CG attributes, with the SEECGAN Index outlining seven critical dimensions of CG.Slobodan et al.(2021) suggested that measurement of the quality of CG requires an index. The index would be indicating the quality of CG for either an industry or a country over a certain period of time .Literature further revealed that while other researchers used between one and three CG perspectives, other researchers resorted to the use of CG indices. These include the SEECGAN Index (Slobodan et al., 2021,Djokic&Duh, 2015), the CGQ Index (Qu et al., 2013), and the Good CG Index by the Bank of Indonesia (Mukhtaruddin et al., 2019).

There is, however, debate among scholars on the use of the CG indices and their results. Qu et al. (2013) view the adoption of the U.S. CG index as not producing optimal results. .In this regard the Organisation for Economic Co-operation and Development (OECD), (2015) alluded to the fact that every country have got a different meaning of good CG. Their argument is that implementation depends on country-level and firm-level differences. This notion then implies that, despite encompassing most CG attributes, adoption of any CG index does not imply accurate results. The use of the index depends on the countries and firm sectors. In this regard it would then be prudent to have a country specific CG index as CG of each country is determined by the laws and policies governing the country. This implies then that it is difficult to have a generalised CG index for all countries.

On the other hand the financial performance of an organisation revolves around the issue of financial management. To evaluate the management aspects of profitability, assets, equity, liabilities, revenues, and expenses are taken into consideration. Consequently, there are a number of financial performance metrics that can be employed to measure financial performance. These include ROE, quick ratio, debt-to-equity ratio, inventory turnover, and return on sales, current ratio, working capital, gross

profit margin, net profit margin, equity multiplier, ROA, total asset turnover, and operating cash flow.

However, the review showed that performance was mainly measured using ROA (Mahrani&Soewarno, 2018; Waheed et al., 2021), ROE (Purbawangsa et al., 2020; Sarwar&Faryan, and Saleem, 2022), Tobin's Q (Waheed et al., 2021,Sarwar et al., 2022); and net profit margins. This is a source of worry, as there are other various measures of performance. The frequency of the use of ROA and ROE is a cause for concern, as this may shadow other results of the research if different measures were employed. Despite the different variables employed to measure CG and the different values employed to measure firm performance, what came out clear is that in most research after 2013, CG and CSR have a significant and positive effect on firm performance. However, in a few instances, good CG has a positive but not significant impact on performance, whereas CSR has a negative but significant effect on performance (Mukhtaruddin et al., 2019).In some instances a weak positive relationship is deduced notably in their research on the contribution of CG towards improving companies' performance in Bosnia and Herzegovina, Slobodan et al. (2021) deduced a weak positive relationship between CG quality and performance. ROA was used as a measure of performance against CG quality.

The view here is that differences in results emanate from the use of different variables, as alluded to by Zain and Abdullah (2019). They argue that different results in the quest for the effect of CG and CSR on the performance of the firm arise from the use of different variables in line with the objective of the study. In summary, CG and CSR have had a positive effect on the performance of the firm. The degree of the effect, however, is the one that varies depending on the variables employed. Good CG, inclusive of CSR, should be employed by the firm in order to increase its performance. However, there is a need to focus on CG as a whole rather than individual variables to determine the true effect of CG on performance. This notion encourages the interaction of different CG variables. Furthermore, there is a need to employ different measures of performance rather than focusing on Tobin's q, ROA, and ROE.

VIII. RECOMMENDED CONCEPTUAL FRAMEWORK

From the literature review, current studies show a limited number of CG variables when determining the effect of CG and CSR on performance. The review also established that CSR and CG convergence lead to positive performance. Therefore, this research proposes an interactive system of CG mechanisms for measuring CG. Different models of CG measures that are country-specific and firm-specific are proposed since the score card system will not limit the CG variables to a single value but will encompass various components of CG. Furthermore, a recommendation is made that CSR should be among the CG variables used as a measure for the performance of corporate companies.

IX. CONCLUSION

The study analysed research papers questioning the effect of CG and CSR in relation to performance for the period 2013–2023. The main objective was to trace the variables used to determine the quality of CG and the performance variables in the research to find out the effect of CG on performance. Various studies have included board issues in the representation of CG, and for the representation of performance, literature has revealed that most research used Tobin's Q, ROA, and ROE. There is a need to explore the variables that have a negative effect on firm performance so as to come up with the correct variables for measuring the relationship between CSR and firm performance. Limitations of the paper include the fact that it covered a period of a decade and only addressed research relating to the effect of CG on firm performance. As the paper is restricted to papers covering the effect of CG and CSR on firm performance, some other variables that are affected by CG are not considered. However, the paper also considered CSR in the search for research papers either as an independent variable or a mediating variable. The analysis shows that there is a need for more literature reviews on the topic, focusing on African countries. From the analysis, it was noted that different variables were employed to measure the CG of firms; however, the overall CG effect on firm performance is still not explored. The view is that the findings and recommendations of the literature review will encourage more research on the formulation and use of CG indexes for different countries. Such a move can have the wholesome effect of CG on performance.

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