

## Impact of CSR Investment to Access Capital Moderating Role of Firm Size. Case of Textile Enterprises in Nam Dinh, Vietnam

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### Abstract:

*The objective of the article is to assess the impact of CSR investment to access capital. In addition, we test the moderating role of firm size in the relationship between CSR investment and access capital. The study was conducted on 150 textile enterprises in Nam Dinh province, Vietnam. The results showed that CSR activities with investors positively impact on the ability of enterprises to access capital. At the same time, firm size plays a moderating role in the relationship between CSR investment and access capital. The bigger the enterprises, the more CSR is implemented with investors, which increases the ability to mobilize loans and contributed capital. However, the smaller the enterprises, the less CSR implementation with investors has less impact on the ability of enterprises to access capital*

**Keywords:** Corporate social responsibility, access capital, Textile and garment, Nam Dinh, Vietnam

### 1. Introduction

Vietnam increasingly integrates with the world economy when joining the world and regional economic associations such as WTO, FTA, CPTPP, ... while the understanding of Vietnamese textile and garment enterprises to those requirements of international regulations are limited (Pham Viet Thang, 2018). Importing countries frequently provide high requirements on technical standards, CSR requirements, ... creating great barriers and difficulties for textile enterprises (Hoang Thi Thanh Huong, 2015). Besides, the awareness and understanding of CSR are not correct and sufficient, leading to a lack of understanding of the benefits, opportunities, and advantages of CSR, so in the process of implementation is still passive and coping (Pham Viet Thang, 2018). There are even many managers in organizations who consider CSR as a PR activity, promoting their names to hide the actual economic efficiency. That goes against the spirit and meaning of CSR (Ho Thi Van Anh, 2018).

Vietnam textile and garment industry is a key economic sector of the country, focusing on exporting and satisfying the rigorous requirements of domestic and international markets. Therefore, the implementation of CSR has helped businesses attract employees, good relations with the community, customers and consumers, thereby enhancing prestige, revenue, ability to raise capital and increase efficiency. finance (Pham Viet Thang, 2018 cited by the Ministry of Industry and Trade, 2014).

Nam Dinh, the cradle of Vietnam's textile and apparel industry, is a province with a high number of textile enterprises in the country. The textile and garment industry is a priority development sector of Nam Dinh province. Every year, the textile industry contributes about 20% to the provincial GDP and creates jobs for tens of thousands of workers. However, Nam Dinh textile and garment enterprises still face difficulties in mobilizing loans as well as contributed capital. With the aim of creating a visual picture of the implementation of CSR with investors, it will bring better access to capital for Nam Dinh textile enterprises. The layout of the article in addition to the introduction includes Overview and research hypotheses, research methods, research results, and conclusions.

### 2. Overview of research and research hypotheses

#### 2.1. CSR, CSR investment

CSR has been around for a long time in the world. Typical of this view may be the consumer boycott of sugar harvested by slaves in Britain in the 1790s, the first large-scale boycott world. Within a few years, more than 300,000 Britons boycotted this sugar product. In addition, nearly 400,000 signed petitions have been sent to Congress asking for an end to the slave trade situation. Thus, awareness of CSR has existed for a long time in the world and undergone a period of development and increasingly comprehensive and more meaningful. However, formal studies of CSR began to take shape in the 1950s. The initial perception of CSR was to protest human rights abuses (using slave and slave labor).

Investors want to be associated with socially responsible businesses (Gillis and Spring, 2001). Enterprises implement policies, respectful actions, create credibility with investors / lenders: Ensure annual information provision; Use intermediary companies to evaluate business activities such as Auditing, corporate credit rating organizations, etc. CSR activities with lenders / investors include the following:

1. Policies on investors' right to make decisions and access relevant information
2. Full reporting policy on financial and non-financial issues
3. The policy provides the necessary information for credit rating agencies
4. The policy of commitment to use independent auditors
5. The policy of satisfactory settlement of investors' complaints
6. Policy to engage in a large-scale dialogue between businesses and stakeholders

## ***2.2. The relationship between CSR investment and access capital***

Stakeholder theory suggests that companies should take into account the interests of internal and external stakeholders when developing strategies to achieve organizational goals (Rais and Goedegebuure, 2009). The challenge is that each stakeholder group has a different set of expectations about the performance of the organization. CSR acts as a "magnet" to attract socially conscious consumers (Hillman and Keim, 2001) and also attract financial resources from socially responsible investors (Kapstein, 2001). Beiting et al. (2014) analyzed two reasons why businesses implementing CSR activities may have more resources. First, these businesses will face fewer capital constraints due to reduced agency costs. Secondly, CSR will enhance the revenue / profit potential of businesses thanks to the more effective participation of stakeholders as well as reducing information asymmetry due to transparent CSR. According to experience, Cochran and Wood (1984) found that CSR can have a positive impact by helping businesses use valuable resources. Therefore, the author hypothesizes that:

*H1: CSR Investment positively affects to access capital*

## ***2.3. The moderating role of firm size***

The Government of Vietnam issued Decision 55 / QD-CP in 2010 to support small and medium enterprises to access loans and contributed capital. However, this decision has not been effective yet. Access to capital is very difficult, especially for small businesses. Large, reputable businesses will easily attract more investors and credit institutions. However, for small and medium enterprises, due to lack of finance, resources and time, CSR activities of investors are very limited. Therefore, we propose a hypothesis:

*H2: Firm size plays a role in moderating the relationship between CSR investment and access capital.*

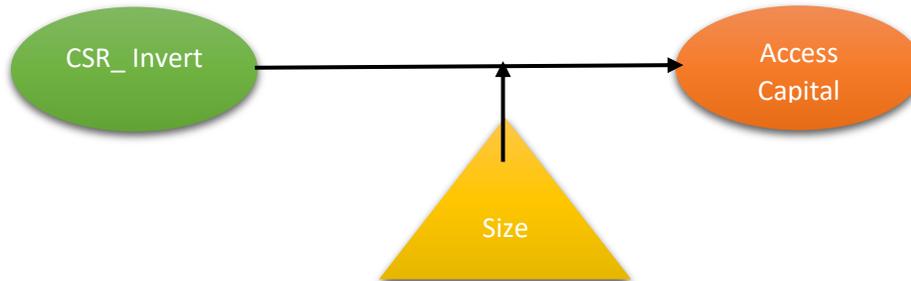
## **3. Research methods**

### ***3.1. Sample of research***

The research sample is 150 textile enterprises in Nam Dinh province, of which 75 enterprises are members of Vietnam Textile and Apparel Association, and 75 enterprises are not members of Vietnam Textile and Apparel Association. Survey questionnaires are answered by the directors, leaders, and heads of departments of each business. Each business we give out 1-3 votes. Survey questionnaires may be answered by the leader, or a combination of the department leaders responded.

**3.2. Research model and analysis method**

**Research models**



**Figure 1: Research model**

CSR\_Invert is social responsibility with investors measured by 6 items developed from research by Mirsha and Suar (2010). Access Capital is measured by 3 items developed from Heal's research (2005). Size is categorized according to Circular 39/2018-TT- BTC on the classification of enterprises.

To conduct data analysis and test research hypotheses, we use SPSS 22 software to test scale reliability. After that, we conducted the analysis using Smart PLS 3.0 software to test hypotheses.

**4. Research results**

Results of reliability analysis on SPSS 22 show that all scales of access capital variables satisfy conditions: Cronbach Alpha > 0.7 and correlation of total variables > 0.4. The scale of CSR\_Invert5 has Cronbach Alpha <0.6, so we have removed from the next analysis. Analysis results after removing CSR\_Invert5 scale as follows:

**Table 1: Outer Loadings**

	AC	CSR_Invert
AC1	0.914	
AC2	0.948	
AC3	0.820	
CSR_Invert1		0.848
CSR_Invert2		0.801
CSR_Invert3		0.846
CSR_Invert4		0.737
CSR_Invert6		0.756

(Smart PLS 3.0 Out)

The analytical results show that the remaining scales meet the conditions and load into two factors AC and CSR\_Invert.

**Table 2: R Square**

	R Square	R Square Adjusted
AC	0.283	0.281

(Smart PLS 3.0 Out)

$R^2$  of the model is 0.281; the model only studies the impact of one factor to the independent variable with the explanation of 28.1% being satisfactory.

**Table 3: f Square**

	AC	CSR_Invert
AC		
CSR_Invert	0.395	

(Smart PLS 3.0 Out)

**Table 4: Construct Reliability and Validity**

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
AC	0.923	0.928	0.924	0.802
CSR_Invert	0.898	0.900	0.898	0.638

(Smart PLS 3.0 Out)

The variables have a coefficient Cronbach Alpha > 0.7, hệ số Composite Reliability > 0.6 and AVE > 0.5 satisfies the analytical condition according to Hair et al. (2014).

**Table 5: Discriminant Validity  
Fornell-Larcker Criterion**

	AC	CSR_Invert
AC	0.896	
CSR_Invert	0.532	0.799

(Smart PLS 3.0 Out)

The results of discrimination analysis satisfy the conditions of analysis (Hair et al. 2014).

**Table 6: Outer VIF Values**

	VIF
AC1	3.138
AC2	4.535
AC3	3.451
CSR_Invert1	2.505
CSR_Invert2	2.351
CSR_Invert3	2.711
CSR_Invert4	2.325
CSR_Invert6	2.319

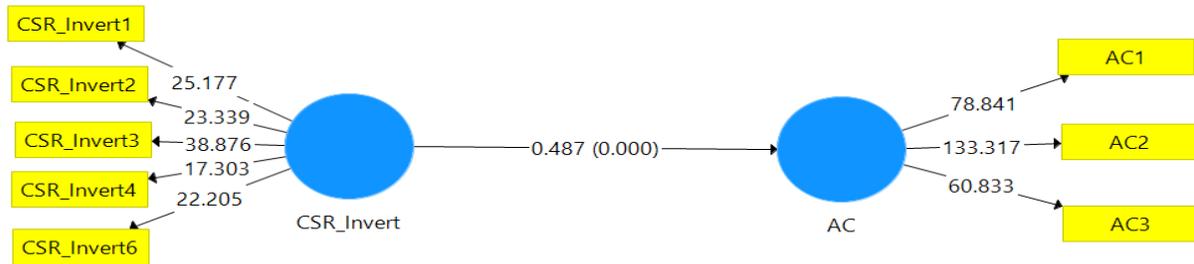
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**Table 7: Model\_Fit  
Fit Summary**

	Saturated Model	Estimated Model
SRMR	0.031	0.031
d_ULS	0.035	0.035
d_G	0.061	0.061
Chi-Square	123.159	123.159
NFI	0.943	0.943

(Smart PLS 3.0 Out)

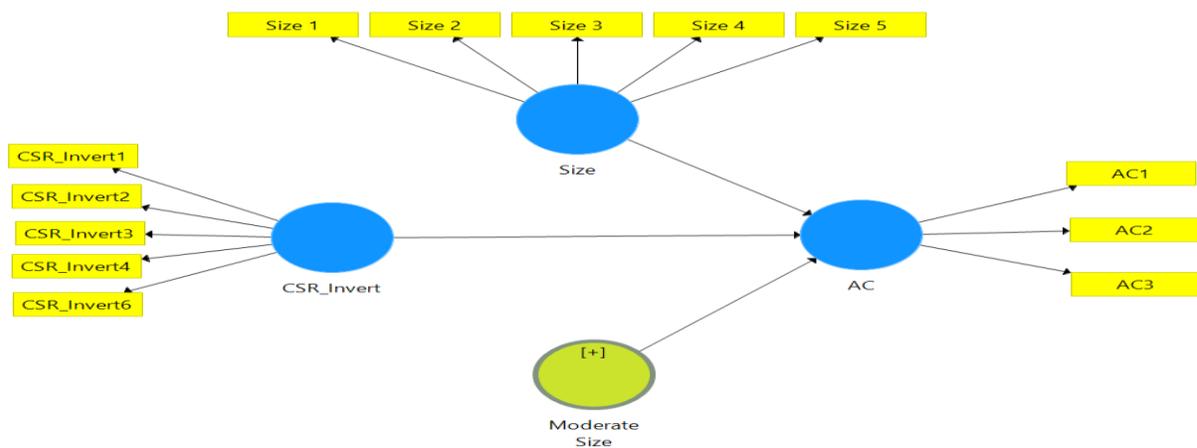
The test hypothesis results are as follows:



**Figure 2: Bootstrap result**

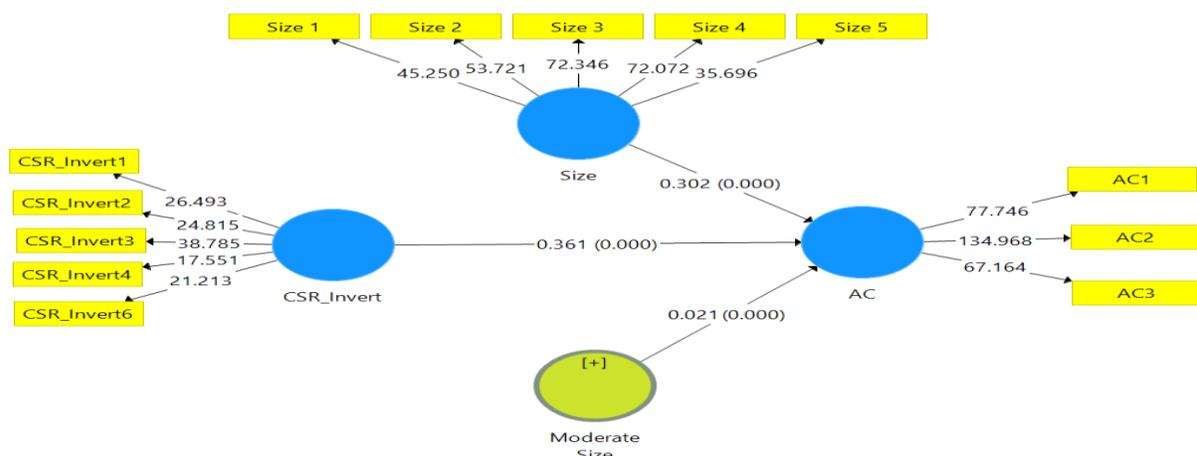
The results show that investor CSR has a very strong impact with a coefficient of 0.487 impacts on the ability of enterprises to access capital at a significant level of 1% (P - value = 0.000). Since then, Hanoi textile enterprises, implementing CSR with investors will help businesses easily access loans and capital contribution much more.

Next, we test the regulatory role of firm size. The model is as follows:



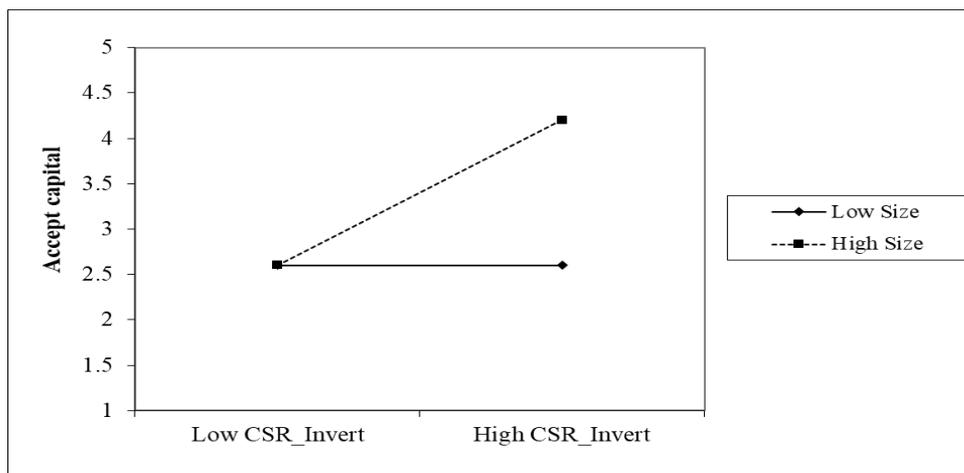
**Figure 3: Research model with moderator variable**

We carry out the role of corporate scale with Smart PLS 3.0 software, two-stage method. The results of the role inspection are as follows:



**Figure 4: Bootstrap results test the moderating role of Size**

The results show that the scale of enterprises plays a role in regulating the relationship between CSR\_Invert and the ability to access capital. From the impact coefficient of the moderator variable we model the following:

**Figure 5: Moderating role of Size**

From the above results, the bigger the enterprises, the more CSR is implemented with investors, making the ability to access loans and capital more. For smaller businesses, implementing CSR with investors almost does not affect the ability of enterprises to access capital. Because, although the state has circulars to support small and medium enterprises to access capital but is not effective, it is difficult for small and medium enterprises to access capital. Mainly due to the institutional conception of investors, credit institutions and small businesses are quite large. Therefore, CSR activities with small business investors have not impacted on the ability of enterprises to access capital. In addition, CSR activities with investors of small businesses are also very limited.

## 5. Conclusion

Access to capital is the determining factor for the ability to reproduce and expand the scale for businesses. If businesses attract investment capital (contributed capital) and large loans, business opportunities will be more diversified and effective. Epstein and Roy (2001), Heal (2005) recommended that CSR activities help businesses more easily access capital. Research results of the article are similar to those of Heal (2005). Since then, textile enterprises in Nam Dinh, Vietnam can confidently implement CSR and CSR with investors to improve their access to loans and contributed capital and improve operational efficiency for businesses.

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