

The Impacts Of Corporate Social Responsibility On Firms Performance Through Enterprise Risk Management At Small And Medium Enterprise In Forest Product Processing Sector In Midland Area Of Northern Viet Nam

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Abstract:

Corporate Social Responsibility (CSR) is business ethics and contributes to sustainable economic development, adding improving the quality of life for workers and communities. The impact of CRS on financial performance increases competitive advantage, improve reputation and attract investment resources. The objective of this paper is to assess the role of enterprise risk management in the relationship between CRS, and financial performance was conducted on 152 small and medium enterprises (SMEs) in forest product processing sector in the midland area of northern Vietnam. From that, the author proposed solutions to enterprise risk management are the implementation of CSR to reduce risks and sustainable development.

Keywords: Corporate social responsibility, enterprise risk management, and financial performance

1. Introduction

CSR has been studied for a long time in almost all economic fields. Recently, CSR seems to have become popular and is considered an important issue for businesses (DN) around the world (Mirsha and Saura, 2010) because of the benefits that CSR brings quite clearly. Such as: Reducing employee turnover, increasing customer satisfaction (Galbreath, 2010) improving reputation, motivating employees, increasing access to capital (Hansen, 2018), increasing market share, corporate performance results (Epstein and Roy, 2001). However, studies on the effects of CSR on financial performance still have many different points of view. A number of studies have shown a positive relationship between CSR and financial performance (Elliott et al., 2013; Lys et al., 2014). A number of other studies have shown a negative relationship between CSR and financial performance (Wagner, 2005; Lopez et al., 2007; etc.) and there are a few studies that offer a mixed/not statistically significant in the relationship between CSR and financial performance (McWilliams and Siegel, 2000; Makni et al., 2009; etc.). Within the scope of this article, the author will examine the mediate role of risk management efficiency in relation to CSR and financial performance, thereby proposing risk management solutions in Enterprises with research samples are Vietnamese textile enterprises.

2. Research hypotheses

CSR is an important issue in contemporary international debates. Over the past two decades, CSR seems to be popular and is considered to be related to all corporations around the world (Aras and Crowther, 2008). According to McWilliams and Siegel (2000), CSR is the actions of enterprises that are conducive to social welfare, going beyond and outside the framework of corporate interests and legal obligations. According to Gendrom (2002), CSR is all the relationships that a business maintains with its stakeholders. The components of CSR include investment in the community, employee relationships, work maintenance and creativity, environmental concerns and financial performance. Mirsha and Saura (2010) argue that CSR is a voluntary action on the legal basis of enterprises to ensure benefits for stakeholders such as employees, community, environment, investors, customers, and suppliers.

Currently, there are many studies on the benefits and impacts of CSR on financial performance. The benefits that CSR offers can be categorized into business benefits (benefits for businesses) and social benefits or can be categorized into monetary benefits and non-monetary benefits (Weber, 2008). Monetary benefits include direct financial effects such as increased revenue and reduced costs and also include benefits that do not directly lead to cash flow but are still measured in monetary terms such as risk reduction, to, increase brand value, etc. (Gerpott and Thomas, 2004; Naderer, 2005). Non-monetary benefits are non-monetary measures but still affect the competitiveness and financial performance of enterprises. These benefits can measure quantitative factors such as repeat customer purchase rates, employee turnover rates, etc. or can measure qualitatively like access to capital, employee satisfaction, , reduce the risk of enterprises, etc. Therefore, the author proposed research hypothesis:

H1: CSR has a positive impact on financial performance

H2: Enterprise risk management efficiency as a mediate role in the relationship between CSR and financial performance.

3. Research method

3.1. Sample of research

Vietnam's forest product processing industry in recent years has made remarkable development, especially in the Northern Midlands region, which is one of the strategic areas for agricultural and forestry development. Small and medium-sized enterprises processing forest products in the Northern Midlands region have played a significant role in the development of this regional economy. However, the operation of these enterprises will have a direct impact on the ecosystem, the atmosphere and use a lot of labor. Therefore, CSR activities are necessary and help improve competitiveness, reduce operational risks and improve financial efficiency for this type of enterprise. In the study, the author randomly selected small and medium enterprises in the forest product processing industry in the midland of Northern Vietnam according to the list of enterprises of the Northern Midlands Investment Department. The author distributed 200 surveys to forest product processing enterprises in the Northern Midlands region and collected 166 surveys. However, in the process of classifying survey questionnaires and cleaning data before analysis, only 152 valid questionnaires left to be included in the official data analysis. Surveys that were left too blank and "finished answering" were removed. The questionnaires were collected from assessments of business leaders, managers, employees at enterprises.

3.2. Research models

The author proposes to examine the intermediate role of risk management efficiency (RM) in the relationship between CSR and financial efficiency (FP) according to the following model:

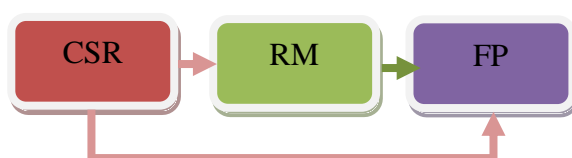


Figure 1: a Research model

(Source: Authors' proposals)

- Social responsibility (CSR): Are voluntary actions of enterprises to ensure the interests of stakeholders (Mirsha and Saura, 2010). There are 4 ways to measure CSR such as Measure based on reputation, a measure based on content analysis, one-way measurement of CSR and measure based on questionnaire based on questionnaires. CSR measurement is based on 6 aspects, including Employees, environment, community, suppliers, customers, investors, including 39 targets with a 5-point likert scale from absolutely no coming completely and very well done.

- Financial efficiency (FP): It is the business result of the enterprise under the monetary measure. Financial performance has different meanings depending on the user's point of view of financial information. Each enterprise has many financial efficiency indicators to satisfy the interests of all stakeholders such as managers, owners, trading partners, and employees. Therefore, the author approaches to measure financial efficiency according to the theory of stakeholders to form financial efficiency indicators that can be used to test hypotheses. According to Santos (2012), financial performance is expressed in three aspects: First, profitability: ROA, ROE, ROI, etc.; second is growth rate (Growth): Revenue growth, market share growth, growth, equity, ... and the third is market value: China, PE, ... Medium and medium enterprises Small and medium-sized forest product processing industry in the Northern Midlands is largely unlisted, so the author only approaches measuring financial performance in two aspects: Profitability and specific growth rate measured above. 10 items: ROA, ROE, ROI, ROS, EVA, the growth of assets, the growth of net revenue, growth of profit after tax, growth of investment capital and growth of capital Owner. The approach to measuring financial performance by the subjective method is based on the assessment of business leaders compared to the industry average in the last three years with a 5-point likert scale from much lower to much higher.

- Risk management efficiency (RM): The ability to minimize operational risks in enterprises, measured by 3 observations is to reduce financial risks, reduce operational risks and reduce system risks and measured by 5 points likert scale (Harjoto and Laksmana, 2016).

3.3. Analysis method

To test the hypotheses, the author used SPSS 22 and Smart PLS 3.0 software to perform the following analysis: Descriptive statistics; reliability test of Cronbach Alpha scale and total variable correlation; Evaluate the model measured by aggregate reliability, convergence value, and discriminant value; Test hypothesis by path factor (path coefficient and T-value) via Bootstrap technique.

4. Research results

Results of the evaluation of the reliability of scale and correlation of total variables with 11 observations measuring

potential variables, CSR with Cronbach reliability of Alpha <0.7 and correlation coefficient of total variables <0.3 should be excluded from further analysis according to the. The study did not conduct EFA assessments because both CSR and FP variables are structural measurements. CSR was made up of 6 the first order factor and financial efficiency was created from 2 the first order factor.

* Evaluation of measurement models by aggregate reliability; Convergence values and discriminant values: The aggregate reliability is measured by Cronbach Alpha, CR, and AVE. (Table 1).

Table 1: Reliability table

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
CSR	0.982	0.982	0.982	0.666
FP	0.949	0.951	0.949	0.653
RM	0.855	0.903	0.892	0.682

(Source: Author's synthesis)

- Scale convergence of scale: Used to assess the stability of the scale. According to Fornell and Larcker (1981), AVE coefficient (average variance extract) must be greater than or equal to 0.5 (average variance extract) will confirm the convergence value. The load factor of each variable is observed to be greater than or equal to 0.7 and is meant to be proof of the reliability of the scales. The above confidence table shows the requirements for AVE as satisfactory. The scale loading scales of the scale are all high (> 0.5) and statistically significant.

- Discriminant value (Discriminant validity): Measuring discriminant value helps ensure the difference; there is no correlation between the factors used to measure the factors. In order to measure discriminant values, the AVE square root of each measurement factor is greater than the latent variable correlations between that factor and other factors, indicating the differentiation and reliability of the factors. factors (Fornell and Larcker, 1981). Finally, check the factor load of each indicator for twice the convergence validity and discriminatory validity (McLure, Wasko & Faraj, 2005). This was achieved by considering the load factors of an index greater than any of its other structures. (Table 2).

Table 2: Table of cross-loading factors of factors

	CSR	FP	RM
CSR	0.816		
FP	0.395	0.808	
RM	0.296	0.382	0.821

(Source: Author's synthesis)

* Results of running bootstrap verifying the direct impact of CSR on financial efficiency are shown in Figure 2 as follows:

The results in figure 2 show that CSR has a positive impact on financial performance with a significant impact of 0.342 and a significant level of 1% (P = 0.000). This means that hypothesis H1 is supported or CSR positively affects financial performance. CSR has a direct impact that is statistically significant to FP, so it is eligible to test RM's mediate role in the relationship between CSR and FP.

The results in Figure 3 show that CSR positively affects the risk management efficiency of enterprises with an impact level of 0.157 and significance level P = 0.002. This means that the more businesses implement CSR, the more effective the risk management is or reduce the risks for businesses. At the same time, highly effective risk management activities also increase financial efficiency with an impact level of 0.256 and significance level P = 0.000. This means that risk management efficiency reduces costs and risks for businesses, leading to increased financial efficiency. At the same time, however, in the SEM model, CSR still has a positive impact on financial

performance; therefore hypothesis H2 is rejected, because risk management efficiency is not a mediate variable in this relationship, but also explains the mechanism of CSR's impact on financial performance.

5. Conclusion

For previous studies, the relationship between CSR and financial performance can be clearly established according to positive or negative impacts. But there are also studies that do not find the relationship between CSR and financial performance especially in developing economies, such as Aras et al. (2010) did not find a significant relationship. Between CSR and financial performance, only a significant relationship between firm size and CSR is found. Perhaps in countries with developed economies, CSR is not fully related to financial performance. In this study, the author found that CSR has a positive impact on enterprise risk management efficiency and risk management efficiency also positively affects financial performance. In addition, when testing the intermediate role of risk management efficiency, the impact of CSR on FP decreases, and the relevance of the GoF model increases (0.01 - 0.12). Therefore, although the risk management effect is not sufficient to determine the intermediary role, the research model is still better evaluated. Therefore, small and medium enterprises in the forest product processing industry in the Northern Midlands should focus on voluntarily implementing CSR to minimize operational risks and improve the financial efficiency of enterprises.

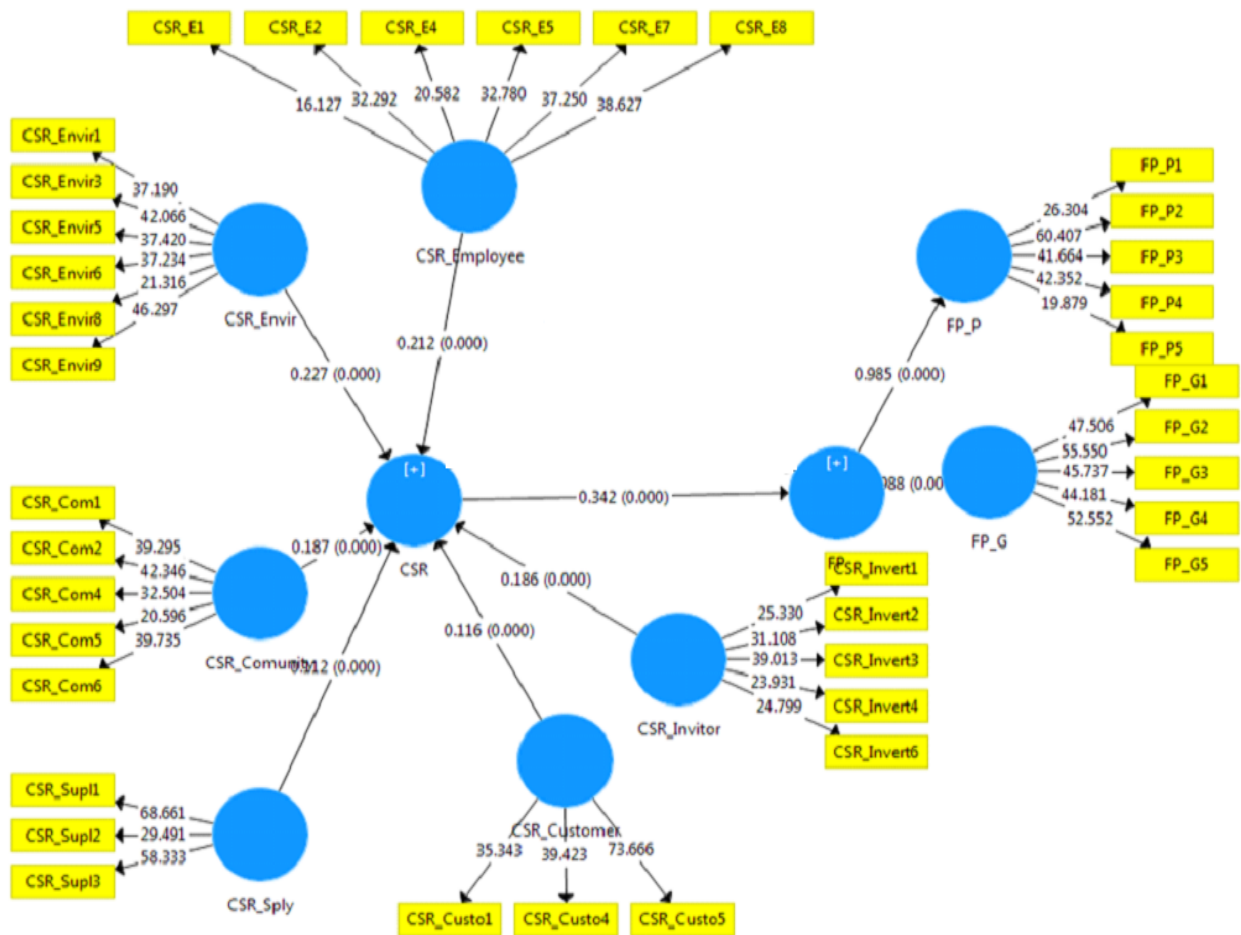


Figure 2: Results of running direct bootstrap impact

(Source: Author's synthesis)

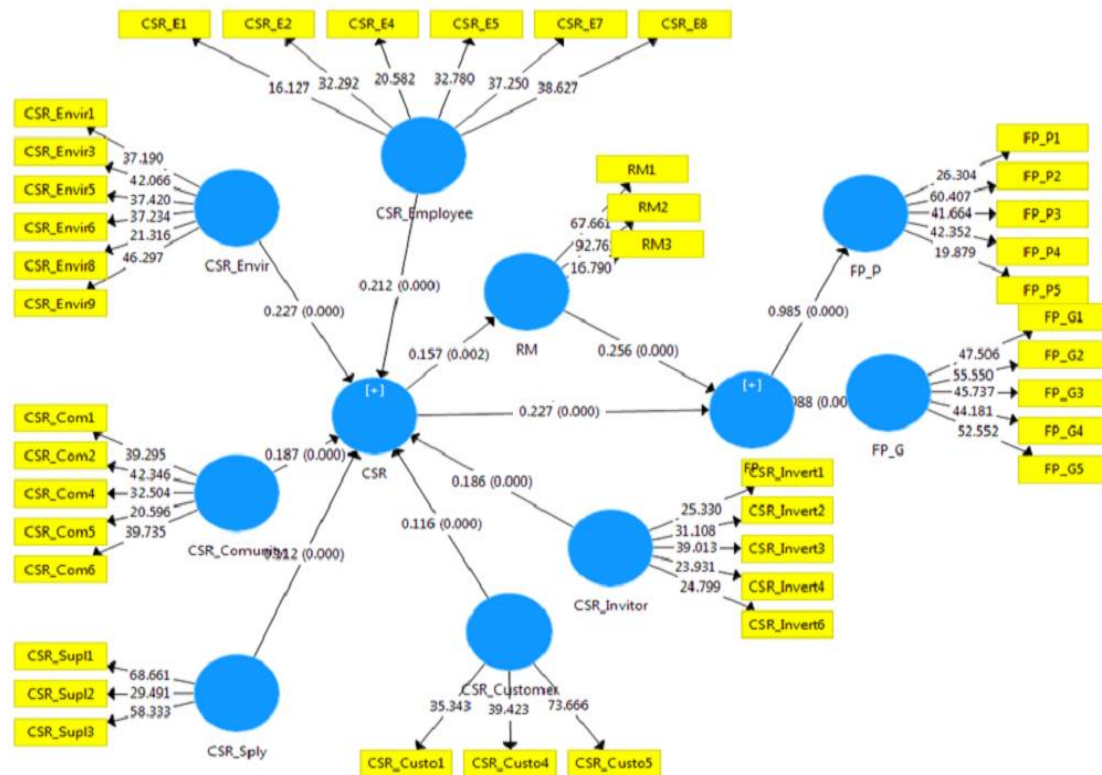


Figure 3: Results of running bootstrap PLS-SEM

(Source: Author's synthesis)

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