

Ansong, Abraham

Article

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*Corresponding author: Abraham Ansong, University of Cape Coast, School of Business, Cape Coast, Ghana
E-mail: aansong@ucc.edu.gh

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MANAGEMENT | RESEARCH ARTICLE

Corporate social responsibility and access to finance among Ghanaian SMEs: The role of stakeholder engagement

Abraham Ansong^{1*}

Abstract: This paper investigates whether stakeholder engagement mediates the relationship between corporate social responsibility and access to external finance. The study relied on primary data ascertained from 423 SMEs operating within the Accra Metropolis of Ghana. The data were analyzed using partial least-squares estimation technique. The study revealed the mechanism through which CSR initiatives assist firms to access external finances. It was established that firms that engage more with their stakeholders are better positioned to access financial resources from external sources. Hence, it was recommended that SME managers should involve their stakeholders in the design of their CSR programs. The paper contributes to our knowledge of the CSR literature by showing how CSR initiatives influence firms' access to finance among SMEs in developing economies.

Subjects: Social Sciences; Development Studies; Economics, Finance, Business & Industry

Keywords: corporate social responsibility; access to finance; stakeholder engagement; capital constraints; financial resources; SMEs

1. Introduction

The dynamic nature of the kind of impact business organizations tend to have on society provide the impetus for a deeper understanding corporate social responsibility (CSR). It has been largely argued that it is no longer tolerable for firms to devote their attention to making profits for their shareholders, while they are pursuing operations that threaten the survival of the natural environment and communities from whom they acquire inputs and market for their finished products (Freeman, 1984;



Abraham Ansong

ABOUT THE AUTHOR

Abraham Ansong holds a PhD in Development Studies with special concentration on small and medium scale enterprises. He is presently, a senior lecturer at the School of Business, University of Cape Coast, Ghana. His research interests focus on business management, corporate governance, corporate social responsibility, and entrepreneurship. His works have appeared in journals such as *Journal of African Business*, *Management Research Review*, *Social Responsibility Journal*, *Cogent Business and Management*, *Journal of Entrepreneurship and Business*, *Developing Country Studies*, *African Journal of Business Management*, *EuroMed Journal of Management*, and *International Journal of Business and Management* among others.

PUBLIC INTEREST STATEMENT

This study focused on understanding how corporate investments in social and philanthropic initiatives result in easier access to external financial resources. Specifically, it argued that such investments can only attract external financial resources when they are routed through stakeholder engagement. Primary data were collected from 423 SME owner/managers in the Accra Metropolis of Ghana. The study showed that SMEs that incorporate the views of their stakeholders in the social activities are better positioned to attract financial resources from external sources. Hence, SME managers were advised to engage their stakeholders more before embarking upon social and philanthropic investments.

Freeman, Harrison, & Wicks, 2007; Freeman, Harrison, Wicks, Parmar, & de Colle, 2010). There has been a growing interest among academics and practitioners with regards to firms' CSR policies and practices. The intriguing question is why do some firms voluntarily expend their scarce resources on social goals while others do not? Several reasons have been professed including gaining social legitimacy and goodwill; attracting and retaining high-quality employees; and allowing for better marketing of products and services (Ansong, 2017; Fomburn, 1996; Greening & Turban, 2000; Hawn, Chatterji, & Mitchell, 2011; Moskowitz, 1972; Turban & Greening, 1997). Some researchers have also advanced that, by investing in corporate social initiatives, firms tend to increase their access to external financing such as bank loans, debt, and equity issues (Cheng, Ioannou, & Serafeim, 2014; Goss & Roberts, 2011; Menz, 2010). This assertion is also widely held by practitioners to be accurate in the context of emerging economies like Ghana (Raynard & Forstater, 2002). A study conducted by Sustainability Limited found that several revenue opportunities accrue to companies that invest in corporate social responsibility initiatives in less developed communities, either in their traditional markets or emerging economies as it leads to access to inputs (Raynard & Forstater, 2002).

Despite this position, a fundamental question yet to be answered is how CSR eases access to finance among SMEs? Surprisingly, only Cheng et al. (2014) have studied how stakeholder engagement could impact on the relationship between CSR and access to finance among publicly listed firms. They argued that superior CSR performance is connected to better stakeholder engagement which limits short-term opportunistic behavior (Benabou & Tirole, 2010; Eccles, Ioannou, & Serafeim, 2012) which intend attracts external funding for investment projects (Jones, 1995). Arguing from the stakeholder perspective, the success of CSR initiatives is likely to emanate from the management of a firm's relationship with its key stakeholders because the creation and nurturing of such relationships assist firms to access external resources (Freeman, 1984; Freeman et al., 2007, 2010; Kapstein, 2001). Drawing on risk mitigation theory, other researchers (e.g. Ye & Zhang, 2011) posit that improved social performance tends to minimize business operation risks by generating positive moral capital among stakeholders. In addition, Waddock and Graves (1997) are of the view that the only way CSR activities would yield any positive returns to firms is when the aspirations and interests of stakeholders are aptly captured in such initiatives.

A stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization's objectives (Freeman, 1984). Although, some stakeholders such as employees and customers have been projected as being critical for corporate survival, addressing larger societal needs that may not have direct and immediate returns for firms is what ethical theorists are advocating for (Lozano, 2005; Pfeffer & Salancik, 2003). The instrumental stakeholder theory, which argues that firms only pursue social goals from which they can profit from, provides a basic rationale for investigating how addressing the interests of various interest groups through CSR initiatives can lead to easier access to external funding. Instrumental stakeholder theory holds the position that business organizations need to be concerned about the interests of only those stakeholders who can impinge on the value of the firm (Donaldson & Preston, 1995; Jensen, 2001; Mitchell, Agle, & Wood, 1997). While there are several stakeholders that a business entity has to be concerned about, Waddock and Graves (1997), as well as Carroll (1991), posit that firms that pay attention and address the needs of their employees, community, customers, and regulators are more likely to access external financial resources. Hence, this study focused on these stakeholders.

This study is motivated by the notion that the growth of SMEs, which are necessary for the prosperity of both developed and developing economies, is impeded by the difficulty in accessing external finance (Raynard & Forstater, 2002). SMEs have been recognized globally as an important source of employment as they constitute a significant portion of businesses worldwide (Raynard & Forstater, 2002). Hence, the need to investigate the relevant factors that positively influence their access to funds to enhance their growth. Butters and Lintner (1945) documented some of the earliest research to support this position. Most SMEs in Ghana find it very difficult to raise outside capital on reasonably favorable terms and hence, there is the need to investigate factors that could assist ameliorate this challenge (Ansong, Agyei, & Marfo-Yiadom, 2017). While previous empirical studies

seem to suggest that CSR is positively associated with access to finance, the issue that has received less attention from scholars is understanding the mechanisms through which such a relationship is procured. This paper focuses on examining the possibility of stakeholder engagement acting as a mediating variable in this nexus. Arguably, in firms with higher CSR commitment, stakeholders such as capital providers are more likely to fund the operations of such businesses.

The rest of the paper is structured as follows: the next section presents a review of related literature on the subject matter and develops testable hypotheses. Ensuing is the methodology of the paper. Finally, the analysis, discussion, conclusions, recommendations, and suggestions for future research are presented.

2. Literature review and hypotheses development

This section provides the literature review on the nexuses between corporate social responsibility and access to finance; CSR and stakeholder engagement; and stakeholder engagement and access to finance (Tables 1 and 2).

3. Link between corporate social responsibility and access to finance

The shareholder view of the firm insists that the primary responsibility of a business entity is to create wealth for shareholders. Therefore, CSR initiatives are viewed as wasteful dissipation of a firm's scarce resources. However, stakeholder theorists sought to reconcile CSR with the tenets of the shareholder theory by arguing that addressing the expectations of multiple constituents may rather enhance the financial performance of firms because this attracts supportive stakeholders that become more willing to invest in business operations (Waddock & Graves, 1997). Overall, socially responsible firms can also be regarded as less volatile and risky (Di Giulio, Migliavacca, & Tencati, 2007; Orlitzky & Benjamin, 2001; Spicer, 1978) because they are normally better positioned in avoiding the burden of negative financial consequences such as legal costs, damages, and fines that emanate from poor CSR practices. All things being equal, it can be assumed that the lower operational and financial risks firms enjoy from CSR initiatives should result in easier access to funds.

The other reason why CSR could result in easier access to external funding is that socially responsible (SR) investment has gained prominence (Robson & Wakefield, 2007) as both an appropriate substitute and complement to usual investment (Sparkes, 1991). "Socially responsible investment is the philosophy and practice of making strategic investment decisions by integrating financial and non-financial considerations, including personal values, societal demands, environmental concerns and corporate governance issues" (Cheah, Jamali, Johnson, & Sung, 2011, p. 305). The convenient vehicle for addressing most of these non-financial issues is through corporate social responsibility (CSR). Socially responsible investors are more likely to invest in companies that are prone to addressing environmental and social concerns. The nature of the nexus between CSR and socially responsible investment is extensively discussed by Sparkes (2002), where CSR and socially responsible investing are described, in essence, as mirror images of each other.

Previous empirical studies focused largely on equity financing. Mackey, Mackey, and Barney (2007) suggest that greater number of equity investors prefer to invest in firms with impressive CSR reputation. Dhaliwal, Li, Tsang, and Yang (2011) using a sample of 196 US firms concluded that firms with comparatively superior social responsibility performance tend to attract equity funds due to a reduction in equity capital costs. Other studies also examined the relationship between environmentally related CSR activities and access to equity funds. Spicer (1978) and Sharfman and Fernando (2008) found that firms that tackle pollution-control and environmental risk management issues seriously have higher access to equity funding. However, Richardson and Welker (2001) did not find a positive relationship between CSR and access to external financing. They reasoned that CSR activities may benefit firms only through its impact on other stakeholders other than equity holders.

With regards to the effect of CSR on access to debt financing, only a few studies have examined this relationship. Goss and Roberts (2011) did not find that superior CSR performance resulted in

easier access to debt funds. However, some scholars documented a positive relationship between social responsibility performance and access to debt funding (Cheng et al., 2014; Sharfman & Fernando, 2008). Given the discussions above, this study predicts that superior social responsibility performance could lead to easier access to external funds. Hence, it is hypothesized that:

H1: Corporate social responsibility practices are positively related to access to finance

4. Link between corporate social responsibility and stakeholder engagement

Freeman's (1984) work is credited with the re-conceptualization of business entities as institutions that are expected to be concerned with the interests of several external stakeholders beyond the traditional interest groups such as shareholders, employees, and suppliers. The stakeholder theory, therefore, provided the impetus for rethinking organizational obligations by arguing that businesses do not only exist to satisfy the needs of shareholders but must also be interested in the needs and expectations of other stakeholders. According to Prado-Lorenzo, Gallego-Alvarez, and Garcia-Sanchez (2009, p. 95), "the maximization of profits and the creation of value for the shareholders can no longer be the sole objectives of management; rather, they must be obtained through or in coexistence with a grid of values of the other stakeholders". Corporate social responsibility and stakeholder engagement are the two significant concepts deemed as vital mediums for satisfying the expectations of the advocates of stakeholder theory (e.g. Freeman, 1984).

Stakeholder engagement can be defined as "practices an organization undertakes to involve stakeholders in a positive manner in organizational activities", while corporate social responsibility is viewed as "the responsibility of the corporation to act in the interest of legitimate organizational stakeholders" (Greenwood, 2007, p. 315). Given that stakeholders' participation serves as the medium for discovering the real needs and interests of society, it is logical to assume that firms that are prone to CSR initiatives are also more likely to engage their stakeholders. The extent to which firms interact with relevant stakeholders is an important dimension of CSR. Some even view such interactions as the main essence of CSR since the thrust of CSR is to address the concerns of stakeholders (Pedersen, 2006). Pedersen (2006, p. 4) posits that "without such interaction with the internal and external constituents, companies will find it difficult to grasp the fluctuating nature of the values, attitudes, and behavior of their stakeholders and respond accordingly". It has also been argued that communicating CSR initiatives through external stakeholders is one of the most effective communication strategies available to enhance member identification or cause dis-identification (Morsing, 2006).

The proponents (e.g. Kurucz, Colbert, & Wheeler, 2008) of the win-win perspective to CSR programs have advanced that CSR can lead to some economic benefits to business organizations because as firms attempt to provide solutions to societal problems, they may also be exposed to certain resources and opportunities than firms that are less socially responsible. It is, however, important to emphasize that stakeholder engagement alone by itself should not connote an act of corporate social responsibility. It is a distinct and separate concept from CSR (See Greenwood, 2007 for a detailed explanation). In the light of the above discussion, it is anticipated that CSR would have a positive relationship with stakeholder engagement.

H2: There is a significant positive relationship between corporate social responsibility and stakeholder engagement

5. Link between stakeholder engagement and access to finance

Firms that embark on stakeholder engagement tend to have easier access to finance through two main mechanisms. First, firms that engage with their stakeholders on the basis of mutual trust and cooperation experience reduced agency costs and transaction costs (e.g. monitoring costs, bonding costs, search costs, warranty costs, and residual losses) and other costs associated with team production (Andriof & Waddock, 2002; Jones, 1995). Moreover, engagement with stakeholders can enhance a firm's access to finance through higher quality of relationship with customers, business partners, and employees as this tend to constrain short-term opportunistic behavior (Ansong, 2017;

Benabou & Tirole, 2010; Eccles et al., 2012). This also represents a more efficient form of contracting with key financiers that result in access to external finance.

The stakeholder theory perspective (Freeman et al., 2010) advance that dealing with the needs of several stakeholders concurrently draw investments from socially conscious investors (Kapstein, 2001). Cheng et al. (2014) maintain that a good track record of social performance eases a firm's access to financial markets thus reducing credit constraints that normally confront smaller firms. The researchers who hold this position reasoned that the negative relationship between social performance and capital constraints is attributable to improved stakeholder engagement because this tends to increase mutual trust and minimizes potential agency cost by compelling managers to develop a long-term orientation in business decision-making (Choi & Wang, 2009; Jo & Harjoto, 2012). Also, socially responsible firms tend to disclose their sustainability reports (Dhaliwal et al., 2011) and also have such reports validated by third parties, therefore, increasing the credibility of such reports (Simnett, Vanstraelen, & Chua, 2009). Consequently, stakeholder engagement may lead to changes in an internal control system that further improves compliance with regulations, financial disclosures and thus, reduces informational asymmetry which results in having access to finance (Hassett & Hubbard, 1998). Firm transparency is a key determinant in attracting external funding as this turns to increase investor confidence.

Some scholars have advanced that firms in emerging economies have to rely heavily on distinctive relationships with their stakeholders (Bandeira-de-Mello, Marcon, & Alberton, 2011) in order to cope with market failures in such high transaction cost environments (Guillen, 2000; Khanna & Palepu, 2000), and also due to the role of non-market capabilities to grant access to scarce and valuable financial resources (Wan, 2005). Using a large cross-section of firms, Cheng et al. (2014) provided evidence to support the notion that better stakeholder engagement is important in reducing capital constraints. Hence, it is hypothesized that:

H3a: There is a significant positive relationship between stakeholder engagement and access to finance

H3b: Stakeholder engagement mediates the relationship between CSR and access to finance

Table 1. Summary of hypotheses and predictions

Hypotheses		Expected sign
Hp1	There is a positive relationship between CSR and access to finance	+
Hp2	There is a positive relationship between CSR and stakeholder engagement	+
Hp3a	Stakeholder engagement is positively associated with access to finance	+
Hp3b	Stakeholder engagement mediates the relationship between CSR and access to finance	

6. Research methodology

Data were collected from all manufacturing and trading SMEs in the Accra Metropolis included in the databases of the National Board for Small-Scale Industries (NBSSI) and the Association of Ghana Industries (AGI) as at September 2013. As CSR decisions are normally within the domain of top management, owner-managers participated in the survey. The total number of SMEs recorded in the NBSSI's and AGI's registers in the Metropolis was 2,083. Following Krejcie and Morgan (1970), to ensure a 5% margin error, 254 medium-sized and 302 small-sized firms were randomly selected from 750 medium-sized and 1400 small-sized firms, respectively. PLS-SEM analytical approach was employed in analyzing the data.

The instrument used for this study was a questionnaire administered to owners/managers of SMEs by the researcher and five trained research assistants of the University of Cape Coast. According to

Sweeney (2009), questionnaires do not emerge fully fledged; they have to be created or modified, shaped and developed to maturity after several test flights. Every aspect of a survey has to be tried out beforehand to make sure that it works as intended. Based on the recommendation of Netemeyer, Boles, and McMurrian (1996), once the questionnaire was developed in the reflection of current literature, it was peer-reviewed by academic colleagues who have undergone the process of survey development and analysis previously.

While a pilot study is unlikely to reveal all challenges of the main survey, it should result in important improvements to the questionnaire and may influence the scope and perhaps necessity of the main survey (Sweeney, 2009). Hence, a pilot study of the questionnaire was undertaken in February 2014. The questionnaire was administered to a sample of 50 (50) SMEs in the Sekondi-Takoradi Metropolis. Each respondent was informed that this was a pilot study and was encouraged to provide feedback on any problems that they experienced while completing the survey (see De Vaus, 1993). In total, the pilot study recovered a response rate of 62%. The response rate was high (65%) in spite of some complaints from respondents about the length of the questionnaire.

The instrument consisted of five (5) sections. The first section covered the background information of respondents' age, gender, educational level, work experience, and start-up experience. The second section captured information about the organization's size, core business, age, location, ownership structure, and number of branches. The third and fourth sections sought for data on corporate social responsibility and stakeholder engagement. Some of the CSR information involved energy conservation, the supply of clear and accurate information and labeling of products and services, resolving customer complaints in a timely manner, quality assurance criteria adhered to in production, being committed to the health and safety of employees, recruitment policies that favor the local communities and donation to charity. The stakeholder engagement questions solicited for data on the extent the firm engage with stakeholders who are directly affected by the organization's operations; those who have an interest in, or influence over the organization's operations; stakeholders who have knowledge about the impact of the operations of the firm, authorities or regulators who exercise control over an industry and several other types of stakeholders. The final section collected data on access to finance.

6.1. Measurement of variables

The following section presents a narration of how the variables of interest employed in this study were measured. A questionnaire was developed in the reflection of the extant literature in the area. It was also peer-reviewed by academic colleagues who have undergone the process of survey development and analysis previously. This was carried out to ensure clarity and that no irrelevant questions were included in the survey.

7. Dependent variable

The study concentrated on formal sources of ascertaining finance since such sources have strict application requirements that applicants must adhere to. Following Man (2011), the questionnaire sought for information with respect to how easy respondents could access funds from banks, lending institutions, and investors.

8. Independent and mediating variables

Corporate social responsibility (CSR) was measured based on the items employed by Sweeney (2009). Thus, the dimensions of CSR in this paper include employees, customers, community, and environment. Shareholders were not included because of the view that they do not influence SMEs significantly in their CSR initiatives (Sweeney, 2009). Some of the CSR information involved energy conservation, the supply of clear and accurate information and labeling of products and services, resolving customer complaints in a timely manner, quality assurance criteria adhered to in production, being committed to the health and safety of employees, recruitment policies that favor the local communities and donation to charity.

Carroll (1991) cites five major groups that are recognized as priorities by most firms, across industry lines and in spite of size or location: owners (shareholders), employees, customers, local communities, and the society at large. However, Sweeney (2009) argue that owners (shareholders) are not major stakeholders with reference to CSR initiatives among SMEs. This is probably due to the rareness of “outside” shareholders besides the founders of these enterprises in funding and managing their operations. This is the case in most developing countries including Ghana (Agyemang & Ansong, 2017). Thus, the dimensions of stakeholder engagement in this paper are centered on employees, customers, community, and regulators. Based on Sweeney (2009), stakeholder engagement was measured based on an eight-item scale consisting of responses from stakeholders directly affected by the firm’s operations; stakeholders who have an interest in or influence over the organization’s operation; stakeholders who have knowledge about the impact of the operations of the firm; stakeholders who are part of the broader community who have an interest in, concern with, or influence over the operations of the firm; authorities or regulators at the national or local level; authorities who control or issue licenses or permit to operate; authorities or regulators who exercise control over the firm’s sector; and authorities responsible for social and economic development, infrastructure and service provision.

Table 2. Measurement of constructs

Construct	Items (continuous scale 1–5)	Sources
Corporate social responsibility	1. Energy conservation	Sweeney (2009)
	2. Supply clear and accurate information and labeling about products and services	
	3. Resolve customer complains in timely manner	
	4. Committed to providing value to customer	
	5. Quality assurance criteria adhered to in production	
	6. Ensure adequate steps are taken against all forms of discrimination	
	7. Consult employee on important issues	
	8. Committed to the health and safety of employees	
	9. Donate to charity	
	10. Actively involved in projects with local community	
	11. Purchasing policies that favor the local communities in which it operates	
	12. Recruitment policies that favor the local communities in which it operates	
Stakeholder engagement	1. Stakeholders directly affected by your organization’s operations, both positively and negatively	Sweeney (2009)
	2. Stakeholders who have interest in, or influence over the organization’s operations	
	3. Stakeholders who have knowledge about the impact of the operations of your firm	
	4. Stakeholders who are part of the broader community who have an interest in, concern with, or influence over the operation of your firm	
	5. Authorities or regulators at the national or local level	
	6. Authorities who control or issue licenses or permits to operate	
	7. Authorities or regulators who exercise control over your sector or industry	
	8. Authorities responsible for social and economic development, infrastructure and service provision, town and regional planning	
Access to finance	1. Easily obtains finance from banks and other financial institutions	Man (2011)
	2. Easily obtain finance from investors	

9. Analysis

The data were analyzed using PLS-SEM analytical approach. The application of this approach does not necessarily require the data collected to have multivariate normal distributions, and it is appropriate for testing theories in developmental stages (Fornell, 1982). In addition, this approach is apt when the goal is a causal predictive test instead of a test of an entire theory (Chin, 1998).

9.1. Checking for reliability and validity of the model

According to Henseler, Ringle, and Sarstedt (2015), an indicator is considered reliable when its outer loading is higher than 0.7. Almost all the indicators used in the model loaded well above 0.7. Apart from a few indicators that loaded below the minimum preferred threshold of 0.7, the remainder of the indicators all loaded above 0.7 thresholds. Indicators that loaded below the minimum threshold value of 0.7 have not been removed because the average variance extracted for all the constructs were above the minimum threshold of 0.5 at a significant level of $p < 0.05$ (see Henseler et al., 2015). Table 3 presents the list of indicators retained and their respective outer loadings.

Also, the reliability of each construct was assessed by observing the composite reliabilities of the constructs used in the model. The composite reliability of each construct is well above the minimum value of 0.7, ranging from 0.791 to 0.940 (Table 4), thereby confirming the reliability of the constructs.

Convergent validity was assessed by observing the Average Variance Extracted (AVE) for each construct. As advanced by Hair, Ringle, and Sarstedt (2013), the minimum value of the AVE of all the latent variables used in a study should not be less than 0.5. The results (see Table 4) show that the AVE of each latent variable used in this study is above the cut-off value of 0.5, indicating that the requirement of convergent validity has been met. Heterotrait-Monotrait Ratio (HTMT) is a means of determining the discriminant validity of a PLS-SEM model. According to Henseler, Ringle, and Sarstedt (2015), a latent construct has discriminant validity when its HTMT ratio is below 0.850. As presented in Table 5, the HTMT ratios of all the constructs used in the model were well below the threshold value of 0.850 (Table 5) indicating that the constructs used in the model have discriminant validity.

9.2. Collinearity statistics (VIF)

The multicollinearity tests results for the independent variables employed in the study are reported in Table 6. The calculated VIF (Variance inflation factor) in all cases is less than 2 indicating that there is no multicollinearity problem for the current regression analysis.

Table 3. Outer loadings

Indicators	AF	CSR	SE
A2F01	0.707		
A2F02	0.903		
CSR06		0.584	
CSR09		0.741	
CSR10		0.891	
CSR11		0.868	
CSR12		0.875	
SE01			0.863
SE02			0.831
SE03			0.810
SE04			0.825
SE05			0.806
SE06			0.807
SE07			0.805
SE08			0.757

Table 4. Construct reliability and validity

	Cronbach's α	Composite reliability	Average variance extracted
AF	0.658	0.791	0.502
CSR	0.641	0.897	0.852
SE	0.662	0.940	0.927

Table 5. Heterotrait-monotrait ratio (HTMT)

	CSR	SE	AF
CSR			0.293
SE	0.689		0.249
AF			

Table 6. Multicollinearity tests

Variables	Tolerance	VIF
Corporate social responsibility	0.53	1.88
Stakeholder engagement	0.53	1.88

9.3. Model results and discussion

Table 7 presents the results and the R^2 values (access to finance and stakeholder engagement have R^2 values of 0.046 and 0.385, respectively) of the structural model. The results of the structural model indicate that there exists a significantly positive relationship between corporate social responsibility (CSR) and access to finance ($=0.142$; $p < 0.05$; Table 7; Figure 1). Hypothesis 1 predicted that CSR would be positively associated with access to finance. The results offered to support this hypothesis. Contrary to earlier views that CSR poses additional costs on business operations and could hinder firms' ability to access external funding (e.g. Galaskiewicz, 1997; Navarro, 1988), the results of this present study, on the other hand, imply that firms that actively engage in CSR practices are more likely to access external funds. This is consistent with other empirical studies that have documented a strong positive relationship between CSR and access to finance (Cheng et al., 2014; Sharfman & Fernando, 2008). It has been reasoned that CSR activities ease access to valuable resources (Cochran & Wood, 1984; Greening & Turban, 2000; Turban & Greening, 1997) because socially responsible firms are less volatile and risky. They also tend out to be more transparent and as a result, attract investments from both socially responsible and risk-averse investors.

Additionally, the results also show that corporate social responsibility plays a crucial role in determining the extent to which business organizations engage their stakeholders (path coefficient = 0.621; $p = 0.000$; see Table 7 and Figure 1) as predicted by Hypothesis 2. Although there is a

Table 7. Structural model results

Construct	Path coefficient	f Square	T statistics	p-values
CSR -> AF	0.142	0.013	2.454	0.014**
CSR -> SE	0.621	0.627	18.745	0.000***
SE -> AF	0.094	0.006	1.772	0.077*

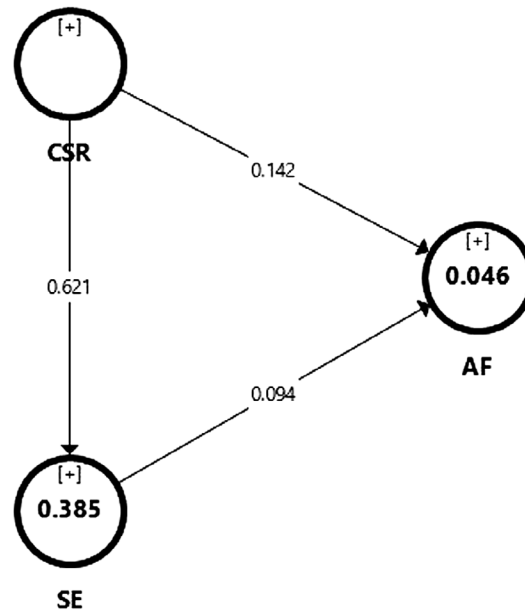
R^2 : AF = 0.046, SE = 0.385. Adjusted R^2 : AF 0.041, SE = 0.041.

*10% significance level.

**5% significance level.

***1% significance level.

Figure 1. Structural model results.



dearth of empirical research examining this relationship, most scholars opined that such interactions can be considered as an important aspect of CSR and as such firms that actively pursue CSR activities tend to also actively engage their stakeholders (e.g. Morsing, 2006; Pedersen, 2006). This is understandable given that the ultimate goal of most CSR initiatives is to satisfy the aspirations and needs of stakeholders. Finally, hypothesis 3a is supported as the results suggest a significant positive relationship between stakeholder engagement (SE) and access to finance (AF) (path coefficient = 0.094, $p < 0.1$; see Table 7: Figure 1). This is consistent with the findings of scholars that have reported that firms that engage their stakeholders tend to gain access to finance (Cheng et al., 2014; Choi & Wang, 2009; Jo & Harjoto, 2012). The rationale is that stakeholder engagement tends to increase mutual trust and at the same time minimize agency costs which consequently leads to access to external funding.

9.4. Mediation analysis

The direct effect of corporate social responsibility (CSR) and access to finance (AF) is significant (with a coefficient of 0.142: $p = 0.014$; see Table 7). Also, the indirect effect between corporate social responsibility (CSR) and access to finance (AF) is also significant (with a coefficient of 0.058: $p = 0.076$; see Table 8). Since both the direct and the indirect effects are significant, it can be concluded that stakeholder engagement partially mediates the relationship between corporate social responsibility (CSR) and access to finance (AF) as predicted in hypothesis 3b. This implies that better CSR performance is associated with enhancing stakeholder engagement which in turn significantly reduces the likelihood of opportunistic behavior and introduces a more efficient way of contracting with key stakeholders. This consequently enhances a firm’s access to funds through the higher quality of relationship developed with these stakeholders.

Table 8. Structural model results for indirect effect

	Coefficient	Standard deviation	T-statistics	p-values
CSR -> AF	0.058	0.033	1.775	0.076

10. Conclusions and recommendations

The purpose of the present study was to examine the relationship between corporate social responsibility and access to finance of Ghanaian SMEs by focusing on the mediating role of stakeholder engagement. It was argued that one of the reasons why CSR could lead to access to external funding for firms is because it connects firms with the repository of these resources (stakeholders). The analysis confirms the first hypothesis that CSR has a significant positive relationship with access to finance. This implies that CSR initiatives have the capability of attracting funding whether these activities are routed through their stakeholders or not.

The results also indicate that firms that pursue CSR goals also tend to involve their stakeholders in their business operations. This is in support of the second hypothesis that connects CSR to stakeholder engagement. This clearly implies that CSR initiatives provide a platform for stronger networking opportunities with firms' stakeholders. While CSR efforts alone had a positive relationship with access to finance, the mediation analysis clearly revealed that stakeholder engagement partially mediates the relationship between CSR and access to finance.

The findings of this study have relevant implications for SME managers. For SME managers, the positive impact of CSR on access to external funding is significant since one of the hindrances to the growth of smaller firms in emerging economies like Ghana is credit constraint. It would, therefore, be necessary for SMEs' managers to package and implement CSR initiatives that are embedded with the thoughts and aspirations of relevant stakeholders. It is also important for policy-makers to institute measures to minimize the credit constraints confronting the SME sector since access to finance positively impacts on the ability of these firms to undertake profitable strategic investments which otherwise they would not. One way through to enhance SMEs access to funds at reasonable costs is to set up a bank concentrating exclusively on the needs of this sector.

11. Limitations and directions for future research

The findings of this study should be interpreted with some considerations in the light of the following shortcomings. The first limitation deals with the sample employed for the study. Although the study has undoubtedly contributed to understanding the mediating role of stakeholder engagement to SMEs' access to external funding, they should be treated as preliminary until future studies replicate that with samples from a broad range of organizations consisting of both small and large firms. Future longitudinal and experimental research would help confirm the causal paths investigated in the present study. Again, the study relied on self-reported measures. Despite the fact that some researchers have shown that common method bias is trivial (e.g. Crampton & Wagner, 1994; Spector, 1987) and rarely strong enough to invalidate research findings (e.g. Spector, 2006), it is possible that the findings of the present study may be inflated by same source bias. Finally, even though the study documented strong positive relationships between CSR, stakeholder engagement, and access to finance, it did not disaggregate the analyses to show which type of CSR activities nor stakeholders account for such results. Hence, another provocative area for future research is to examine the types of stakeholders and CSR initiatives that could lead to SME's easier access to external funding.

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Author details

Abraham Ansong¹
E-mail: aansong@ucc.edu.gh

¹ School of Business, University of Cape Coast, Cape Coast, Ghana.

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