Received: 16 September 2020 | Revised: 10 January 2021 | Accepted: 24 January 2021

DOI: 10.1002/csr.2125

RESEARCH ARTICLE

Corporate Social Responsibility and Environmental Management

WILEY

The impact of corporate social responsibility on innovation in small and medium-sized enterprises: The mediating role of debt terms and human capital

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Funding information
Fundación para el análisis estratégico y desarrollo de la Pyme FAEDPYME, Grant/Award Number: FAEDPYME2018; Cátedra de Emprendimiento Santander-UPCT, Grant/Award Number: CE S-UPCT2020

Abstract

The aim of this paper is to study the influence of corporate social responsibility (CSR) over small and medium-sized enterprise (SME) innovation and the effect of two mediating variables, debt terms and human capital. Based on a sample of 2825 Spanish SMEs and applying a structural equations modeling, the results demonstrate that the effect of CSR on innovation is mediated by debt terms and by good human resource practices. Part of the positive effect of CSR on innovation occurs through these two variables, which, alone, positively and significantly affect innovation in SMEs. Consequently, the positive effect of CSR practices on debt terms through a decrease in asymmetric information goes further, also having repercussions on innovation. Additionally, the suitable development of human resource practices based on strategies oriented toward CSR allow companies to carry out greater and more efficient innovative activities. This paper contributes to the CSR literature considering the human resource management and the debt access in the relationship between CSR and innovation. The findings reveal important implications for policy makers and managers. For the former, the results show that it would be interesting to carry out actions aimed at assisting SMEs, especially those with fewer resources available, to implement a suitable CSR strategy, supporting sustainable development in SMEs. And, for the latter, CSR-oriented innovation has proven to be a valuable strategy for more efficient SMEs management because of the multiple competitive advantages it generates.

KEYWORDS
corporate social responsibility, debt terms, human capital, innovation, SME, Spain, structural equation model, sustainable development

1 | INTRODUCTION

In recent decades, a change in the culture of organizations has taken place (Michaels & Grüning, 2017). Companies are becoming more and more aware of the repercussions their actions have on society (Rhou et al., 2016). This has provoked the emergence of corporate social responsibility (from now on CSR), and in consequence, a series of socially responsible practices have attracted the attention of numerous researchers and other professionals (Martinez-Conesa et al., 2017; Wang et al., 2020; Tran & Adomako, 2020). The main focus of these papers is on large firms (Belas et al., 2020). There are many definitions of CSR, but it is basically concerned with the effort companies make to assure the well-being of its interest groups (clients, suppliers, employees, shareholders, etc.), contributing to resolving or mitigating social and environmental problems (Adinata, 2019). This concern is motivated by the responsibility of the companies toward society, the environment (Tibiletti et al., 2020), their owners and investors (Brotons & Sansalvador, 2020).

There is extensive literature which addresses the relationship between innovation, understood as the use of knowledge to generate products, services, and processes (Bansal, 2005), and.

CSR (Luo & Du, 2015; Martinez-Conesa et al., 2017; Briones Peñalver et al., 2018; Guerrero-Villegas et al., 2018; Bocquet et al., 2017; Børing, 2019). This relationship can be understood as the joint integration of the resource-based view and the knowledge-based view, with the objective of obtaining results which are in accordance with *stakeholders*' demands (Luo & Du, 2015; Bikefe et al., 2020). CSR and innovation should advance together to guarantee sustainable development (García-Piqueres & García-Ramos, 2020) and generate competitive advantages for companies (Gallego-Álvarez et al., 2011; Bacinello et al., 2020). From this arises the importance of continuing to study CSR and its impact on company innovation (Fernández-Gago et al., 2020), especially in the context of SMEs (Ferreira & Gabriel, 2019), and in the interest of delving into the factors that could mediate and strengthen this relationship (Javed et al., 2020; Wu et al., 2020). The connection between CSR and innovation in the context of SMEs has special characteristics which are important to analyze (Sánchez et al., 2017). The opportunity to innovate through CSR is more complex in SMEs than in large companies (Battaglia et al., 2014; Bocquet et al., 2019; Ruiz-Jiménez et al., 2016). This is due to various factors: (1) SMEs and large companies differ in their approach to CSR (Kumar et al., 2020), as a result of this, CSR in SMEs is less visible than in large companies, as well as being less institutionalized and of a less ad hoc nature (Jamali & Neville, 2011); (2) the scarcity of financial and human resources make it difficult for SMEs to implement CSR in their organizations (Avram & Kühne, 2008; Gallardo-Vázquez et al., 2019; Kechiche & Soparnot, 2012; Murillo & Lozano, 2006); (3) managers of SMEs could be skeptical about the benefits of CSR (Hsu & Cheng, 2012); (4) barriers to change exist, provoked by the qualifications and attitudes of employees which limit innovation in SMEs (Dotun, 2014; Mohnen & Röller, 2005). Therefore, it is necessary to further study CSR in SMEs (Colovic et al., 2019; Gillet-Monjarret et al., 2019), as well as the existing relationship between CSR and innovation (Chanakira & Masunda, 2019; Korra et al., 2018). In addition, it is necessary to delve deeper into those factors that could condition the strengthening of this connection. There are some variables which mediate the relationship between CSR and innovation that are important to keep in mind, such as access to debt and access to financing (Ayalew & Xianzhi, 2019; Zheng et al., 2019; Cho et al. 2019), as well as the suitable management of human capital (Dostie, 2018; Seeck & Diehl, 2017).

The objective of this work is to analyze whether CSR influences innovative activity in SMEs and to verify whether the management of human capital and debt and financing terms have a mediating effect on the relationship between CSR and innovation in SMEs. The key questions we seek to answer in our study are: Do CSR practices influence innovative activity in SMEs? Is this influence mediated by Human Resource (HR) practices? Based on a sample of 2825 Spanish SMEs, this study analyzes existing relationships using a structural equation modeling. The study of SMEs in Spain is especially interesting because CSR is not sufficiently prevalent in the Spanish business sector (Olcese, 2013; Punina, 2017). The actions that SMEs undertake are generally isolated and are not at the core of their organizational strategy (Jamali & Neville, 2011). It is necessary, therefore, to carry out studies that show the connection between CSR and innovation and identify the factors that can help to strengthen this connection.

This article contributes to the literature in two ways. First, from a theoretical point of view, we analyze the relationship between CSR and innovation in the context of SMEs, adding the mediating effects of human capital management and the terms of access to financing. To develop CSR and innovation in SMEs, it is necessary to consider how financing will be affected (1) access to financing (Ayalew & Xianzhi, 2019; Cho et al., 2019; Zheng et al., 2019); and (2) human capital management (Dostie, 2018; Singhal & Arora, 2018; Seeck & Diehl, 2017). Second, the results obtained from this study have important managerial implications, which can help managers and business owners make decisions about investing resources in CSR with greater confidence in the results, especially when committing to innovation in their companies. Our results demonstrate that the effect of CSR on innovation is mediated by debt terms and by good human resource practices. Part of the positive effect of CSR on innovation occurs through these two variables, which, alone, positively and significantly affect innovation in SMEs. Finally, our work contributes by extending the literature to a regional context; in this case, Spain. It is important to study CSR practices in SMEs in different geographic contexts (Afsar et al., 2020; Javed et al., 2020; Waheed et al., 2020) due to the fact that a country's regulations, institutional conditions, culture, and traditions condition the implementation of socially responsible initiatives by companies (Antal & Sobczak, 2007; Aguilera-Caracuel et al., 2014).

The rest of the article is organized as follows. First, a review of the existing literature on CSR and innovation is conducted (debt terms and HR practices). Next, the methodology, characteristics of the sample, and the variables used are explained. Then, after an analysis of the model using the partial least squares estimator (PLS-SEM), the results obtained are addressed. Finally, the results are discussed and conclusions are drawn from the research carried out.

2 | LITERATURE REVIEW AND HYPOTHESES PROPOSED

In order to develop the objectives of this study, a review of the literature has been conducted, keeping in mind the conceptual framework depicted in Figure 1, which shows the influence of CSR on innovation, and the mediating role debt terms and human capital play in this relationship.

It is difficult to find a single theory which explains the relationship between CSR and innovation (Ratajczak & Szutowski, 2016) due to the diverse mechanisms implicated in this relationship (Bocquet

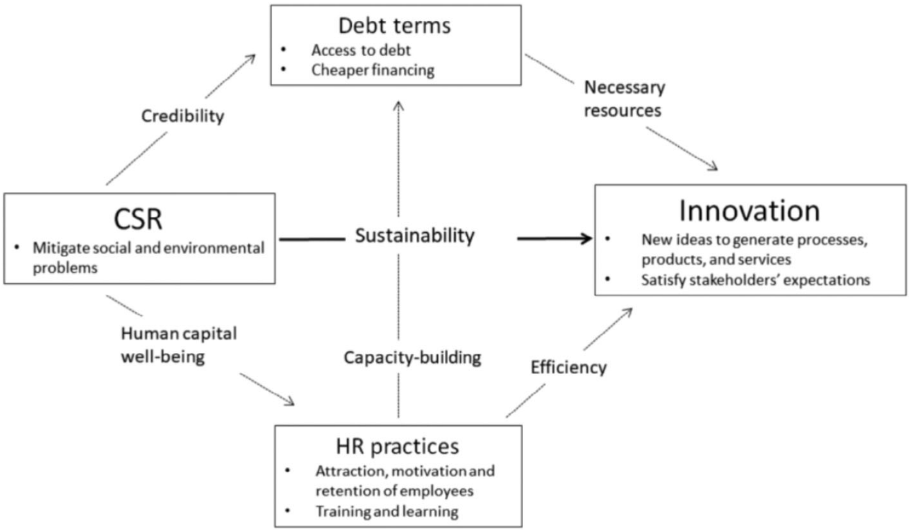

FIGURE 1 Conceptual framework

et al., 2019). It is generally accepted that the connection between CSR and innovation can be explained by the resource-based view (RBV) and knowledge-based view (KBV) theories (Gallego-Alvarez et al., 2011; García-Piqueres & García-Ramos, 2020). The resource-based view poses that companies possess resources and capabilities which allow them to obtain competitive advantages (Barney, 1991) through the sustainable generating of new products, processes, and services, and they thereby fulfill their stakeholders' expectations. The RBV theory recognizes the importance of intangible resources and is ideal for analyzing CSR and innovation (Anser et al., 2018). The KBV theory posits that companies can integrate and distribute knowledge (Grant, 1996) and, through the desire to promote well-being, can attract, motivate, and retain its human capital (Curado & Bontis, 2006). In addition, companies can build networks of internal and external knowledge through suitable training and learning, which facilitate innovation (Cassiman & Veugelers, 2006; Luo & Du, 2015). In the study of the mediating variables, human resource practices and debt terms, this work is based on the theoretical model of asymmetric information. Carrying out CSR practices reduces asymmetric information (Eccles et al., 2012), which contributes to improving a company's reputation and credibility. This attracts the interest of investors (Cordeiro & Tewari, 2015), who provide companies with capital to obtain the necessary resources to undertake innovative activities (Wu et al., 2020) and in a less expensive way, thanks to adequate employee training.

2.1 | CSR practices and innovation

CSR influences innovation in companies (Aristimuño et al., 2010) by changing their strategies and business models (Mendibil et al., 2007). The literature has empirically proven the positive relationship between CSR and innovation (Ratajczak & Szutowski, 2016). In SMEs, a virtuous circle between CSR and innovation is created. When CSR is more prevalent, the SME is more innovative (MacGregor & Fontrodona, 2011). This provides important competitive advantages to companies (Arévalo-Ascanio et al., 2015), giving them greater opportunities to obtain higher profits (Schroeder & Kilian, 2007). For this reason, CSR has become an important driving mechanism which allows companies to be more innovative, efficient, and effective (Martinez-Conesa et al., 2017). Companies oriented toward CSR develop greater innovation in products and processes (Bocquet et al., 2013) for various reasons. Firms that implement CSR practices are obliged to innovate since their traditional way of working is no longer useful. They must rely on innovation to be able to carry out these practices (Bansal, 2002). In addition, *stakeholders* demand increased social commitment, thereby boosting socially responsible innovation in companies (Clausen & Loew, 2009). CSR has transformed business innovation to satisfy the new demands of consumers (Hernández & Bonomie, 2010), which are oriented toward social ethics. This steers business innovation in the direction of social and environmental interest (de Fátima León et al., 2012). Moreover, CSR implemented to satisfy customers leads to companies introducing clients' preferences through innovation, generating intangible resources that make them more technologically flexible (Gallego-Álvarez et al., 2011). Based on the information provided above, we pose the following hypothesis:

H1. *CSR practices positively affect innovation.*

2.2 | The mediating effect of HR practices on the relationship between CSR and innovation

CSR practices play a vital role in human capital management in companies (Berber et al., 2014; Bombiak & Marciniuk-Kluska, 2019), particularly in the processes of attracting, motivating, and retaining employees (Berber & Aleksić, 2016). The connection between CSR and human resources has awakened the interest of many researchers (Diaz-Carrion et al., 2019), who have demonstrated the existence of a positive relationship between CSR and good HR practices (Berber et al., 2014; Bučiūnienė & Kazlauskaitė, 2012; López-Fernández et al., 2018; Voegtlin & Greenwood, 2016). A suitable CSR policy aims to give a positive response to employees' concerns in areas such as equality, safety, health, and diversity (Dupont et al., 2013). CSR promotes policies of flexible work (Benko & Weisberg, 2008), work-life balance (Mory et al., 2011), equality (Barrena-Martínez et al., 2012), adequate earnings, development, and compensation in the workplace (Merino Cuartas, 2018). All of this boosts employee motivation (Gómez Melero, 2016) and happiness (del Junco et al., 2014). This contributes to improving the work environment and increasing individual and company performance (Barrena-Martínez et al., 2012).

Human capital is an explanatory variable of innovation (Ayalew & Xianzhi, 2019) since employees are key to its success or failure (Leiponen, 2005; Seeck & Diehl, 2017). Innovation requires good human capital (Cinnirella & Streb, 2017). The implementation of HR practices geared toward improving learning, creativity, and the capacity to work in teams allows companies to develop greater and more efficient innovative activities (Leiponen, 2005; Nadan, 2014). The methods used to improve worker performance represent an increase in business innovation (Nemanja & Bojan, 2018). For this reason, the relationship between HR practices and innovation has been so often researched (Seeck & Diehl, 2017), with special attention paid to the techniques of employee learning and development (Michaelis & Markham, 2017). Innovative companies are more used to implementing HR practices directed toward improving employees' commitment and performance (Ceylan, 2013). The HR practices that favor innovation are associated with incentive payment systems (Ederer & Manso, 2013), training techniques (Dostie, 2018), coaching (Choi & Park, 2014) or teamwork (Fay et al., 2015), among others. It is necessary for companies to encourage the development of their employees (Dowling et al., 2013; Berber et al., 2014) and implement teamwork (Maier et al., 2015), which will allow firms to carry out greater innovative activities (Seenaiah & Rath, 2018; Thompson & Brajkovich, 2003). The relationship between employees' capabilities (teamwork, ability to adapt to new situations, training, etc.) and innovation is more pronounced in companies with a clearly innovative orientation. (Sung & Choi, 2012). In SMEs, worker capacity-building is a relevant factor (González et al., 2016) in making employees more flexible (Toner, 2011) and better able to adapt to technological changes (Michaelis & Markham, 2017; Seenaiah & Rath, 2018), generating a culture which makes innovation more efficient (Fay et al., 2015; Michaelis & Markham, 2017; Toner, 2011).

The above arguments justify a study of the mediating effect of HR practices on the relationship between CSR and innovation since this relationship can be enhanced through good HR practices. CSR favors the motivation, involvement and commitment of human resources. These features are essential in order to achieve effective innovation in SMEs. Therefore, part of the effect of CSR policy on innovation is transmitted through good HR practices (Raineri, 2017), exerting a mediating effect on the CSR-innovation relationship in SMEs. To verify this, we pose the following hypotheses:

H2a. *CSR positively affects the implementation of good RH practices.*

H2b. *Good HR practices improve innovation.*

H2c. *The effect of CSR on innovation is mediated by HR practices.*

2.3 | The mediating effect of debt terms on the relationship between CSR and innovation

The literature on the impact of CSR on the financial restrictions that SMEs face is extensive, showing a negative relationship (Shahab et al., 2019; Sinha et al., 2018; Al-Hadi et al. 2019). The companies that practice CSR most actively have greater access to credit and obtain better debt terms (Goss & Roberts, 2011; Xu et al., 2019), so CSR helps to alleviate financial restrictions (Al-Hadi et al., 2019; Cheng et al., 2014; Giannarakis & Theotokas, 2011). An adequate CSR policy improves a firm's reputation (Ansong, 2017), which leads to an increase in corporate credibility, reducing the risk of bankruptcy and other financial problems (Gois et al., 2020; Belas et al., 2020). By limiting opportunistic behavior by administrators through CSR practices, asymmetric information decreases (Eccles et al., 2012). The better CSR policies are, the greater transparency companies offer about their market objectives (El Ghoul et al., 2011). Therefore, the stronger the CSR policy, the lower the capital costs for companies (El Ghoul et al. 2011).

Firms can manage their financial activities by increasing their CSR practices, thereby reducing the probability of facing financial problems (Godfrey, 2005) through the enhanced confidence stakeholders have in the company. In this way, CSR becomes an instrument that management can use to handle the aggressive behavior of *stakeholders* (Bendoraitienė & Darškuvienė, 2019). This greater transparency caused by CSR results in fewer restrictions in access to capital (Cheng et al., 2014), facilitating access to external financing (Anwar et al., 2019). Continuing with this reasoning, Xu et al.(2019) find in their study that companies which reveal more information, linked to their CSR policy, not only have fewer problems in accessing financing but it is also cheaper.

Access to financing and its terms are of vital importance given that most companies do not have sufficient resources to carry out innovative activities on their own (Geelen et al., 2019; Pellegrino & Savona, 2017). Therefore, as access to financial markets and the terms offered improve, companies will have greater capacity to innovate (Sánchez et al., 2017). The better the debt terms are, the greater a firm's capacity to innovate will be (Wu et al., 2016). In addition, due to its risk and cost (Chen & Zhang, 2019; Rangel, 2012), debt becomes an essential instrument to steer innovation to its optimum level (Choi et al., 2016). Investment in innovation represents a bet on the future, which can generate uncertainty (Ayalew & Xianzhi, 2019). This provokes information asymmetries and agency costs which create financial restrictions, making innovation more difficult (Rangel, 2012; Sun, 2020). This situation calls for complex financial solutions to attract external investors (Savignac, 2008; Suto & Takehara, 2018).

Research on the relationship between debt terms and innovation has been abundant in the last couple of decades, and it shows a positive relationship (Barona-Zuluaga et al., 2017; Mann, 2018; Wu et al., 2016). External financing determines innovation since when companies have greater access to capital markets, they have greater innovative capacity (Castaneda et al., 2016). Debt, then, becomes a stimulus to investment (Choi et al., 2016; García-Pérez et al., 2013; Wu et al., 2016). In addition, when debt costs are lower, companies have greater possibilities to innovate (Chen & Zhang, 2019). The influence of debt terms is greater for more innovative companies (Sun, 2020), which is accentuated even further in SMEs (Gorodnichenko & Schnitzer, 2013). These arguments support the existence of the mediating effect of debt terms. The improvement in the conditions of access to financing caused by CSR (Cheng et al., 2014), allows SMEs to have more financial resources to carry out a greater innovative activity (Kerr & Nanda, 2015). Therefore, part of the influence CSR has on innovation is driven by the terms of financing that a company benefits from. Based on the ideas expressed above, we propose the following hypotheses:

H3a. *CSR practices improve debt terms.*

H3b. *Debt terms positively affect innovation.*

H3c. *The effect of CSR on innovation is mediated by debt terms.*

2.4 | The mediating effect of RH practices on the relationship between CSR and debt terms

Human resources are the most important asset a company has (Mayon et al., 2019; Pirzada et al., 2013), and for this reason, good HR practices play a vital role in organizations (Bolaños & Nieves, 2020; Duran & Korkmaz, 2019). HR practices, especially those related to training, allow companies to increase their capacity to negotiate with financial institutions (Porras, 2011; Zacharakis & Meyer, 2000) and obtain better financing (Barbi & Mattioli, 2019). Suitable human capital management improves debt terms by reducing the barriers of access to financial resources (Maciejasz-Świątkiewicz, 2015). Having adequately capacitated staff makes optimal financial decisions possible (Cassar & Holmes, 2003), as the financial management of companies is vital for development. With the aim of achieving good financial management, companies should incorporate suitable HR practices into their mission, vision, and values (Pirzada et al., 2013), thereby facilitating better company performance (Aktar & Khan, 2016).

Many authors have demonstrated that adequate management of HR practices leads to the greater commitment (Wright et al., 2005) and capability of employees (Cruz et al., 2018) and, along with this, enhanced company performance (Etale et al., 2016; Ngwenya & Aigbavboa, 2017; Pirzada et al., 2013; Thuo et al., 2018) and the capacity to obtain financial resources (Kazlou & Klinthall, 2019). Greater corporate strength together with better employee training and experience in finance and accounting increase the capacity of companies to make financial decisions which allow them to receive better debt terms (Aldén & Hammarstedt, 2016). Given that CSR drives good HR practices in companies, we expect that part of the effect of CSR on debt terms will be transmitted through good HR practices, with CSR exerting a relevant indirect effect on debt terms through HR practices. For this reason, we have posited the following hypotheses:

H4a. *Good HR practices positively affect a company's debt terms.*

H4b. *Good HR practices mediate the effect of CSR on a company's debt terms.*

Figure 2 shows the model of the proposed hypotheses, identifying the direct effects of CSR, debt terms, and human resource practices on SME innovation, as well as the mediating effects of debt terms and human resource practices.

3 | METHODOLOGY

In this section we show the research methodology followed in the empirical study. Once the research hypotheses have been developed, information is given about the process of obtaining the sample and its structure, the variables are justified, and finally, the choice of the statistical technique used to analyze the research hypotheses of this research is explained.

3.1 | Sample

The population of companies under study consists of companies with between 6 and 249 employees, belonging to the manufacturing, construction, retail, and service sectors. The distribution of the companies in the population has been estimated from the Central Company Directory (Directorio Central de Empresas) of 2017, edited by the National Institute of Statistics (Instituto Nacional de Estadística) (DIRCE 2017). The information on the companies to be surveyed and

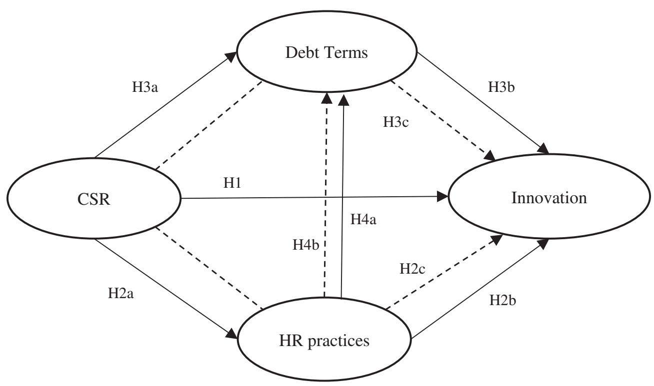

FIGURE 2 Hypothesized model

that make up our sample were obtained from SABI database by the company INFORMA. In this database we get telephone data.

The establishment of the sample was made through the stratification of the population, using the principles of simple random sampling. This type of sampling is used to select a smaller sample size from a population, which allows obtaining a representative sample of the target population (Brewer, 1999). The criteria of the stratification were established according to the objectives of the study and the information available on the structure of the population. Specifically, the following strata were established: sector (industry, construction, retail, and services) and size (micro company, from 6 to 9 employees; small company, from 10 to 49 employees; and medium-sized company, from 50 to 249 employees). The response rate obtained was 24.5%. The companies that did not want to participate were replaced by similar companies in terms of sector and size.

To obtain the data, telephone surveys were given, using a questionnaire directed to the manager of the company as support, as is common in this type of study. The manager is the one with the best knowledge of the organization, so they are the most appropriate to answer the questionnaire (Cabrita et al., 2007). To design the questionnaire, we tried to minimize social desirability bias (Bstieler et al., 2015). In the information gathering process, the confidentiality and anonymity of the data was guaranteed at all times (Kariv et al., 2009). Before applying the questionnaire, a pre-test was carried out on five businessmen to verify the reliability of the questionnaire. After this pre-test, the necessary adjustments were made to the questionnaire to provide it with greater clarity. Before conducting the interview, an appointment was made with the manager and the purpose of the study was explained. Field work was carried out from February to April, 2018. The final sample was made up of 2825 Spanish SMEs with the distribution shown in Table 1.

TABLE 1 Sample distribution

Sector industry	Number of firms	Percent of total
Food and beverage	166	5.9%
Textiles	45	1.6%
Wood and cork	45	1.6%
Paper, publishing, and printing	62	2.2%
Chemicals	19	0.7%
Manufacture of rubber and plastic products	49	1.7%
Other non-metallic minerals	60	2.1%
Basic and fabricated metals	142	5.0%
Machinery and equipment	101	3.6%
Electrical equipment, electronic, and optical	14	0.5%
Manufacture of motor vehicles	28	1.0%
Furniture	38	1.3%
Construction	503	17.8%
Wholesale business	574	20.3%
Hotel industry	117	4.1%
Land, sea, and air transport. Post and telecommunications	295	10.4%
Computer services	95	3.4%
Others	472	16.7%
Total	2825	100.0%

With the final distribution obtained, the maximum error in the estimation of the population was 2.9%, with a confidence level of 95%. In the questionnaire design, great attention was paid to reducing social acceptance bias by assuring respondents that they would remain anonymous (Fisher, 1993).

To assess the quality of the information obtained from the questionnaire, both non-response bias and common method variance bias have been analyzed (García-Pérez-de-Lema et al., 2017). First, we analyze non-response bias. This bias can be a problem when there are significant differences between the responses of those who respond to the questionnaire and those who do not. To check if this problem can cause any distortion in the results, the sample has been divided into two groups. The first group includes 82% of the first responses and the second group, the rest. The ANOVA test for all the variables shows that there are no significant differences between the groups, which explains that this bias has no impact on our results. Second, given that all the data comes from a single source, the presence of common method variance bias has been evaluated using Harman's single factor test (Podsakoff et al., 2003). The relationships between the variables could be inflated as a consequence of the variance of the common method, when obtaining information for the dependent and independent variables from a single source. The results show that four factors (KMO: 0.893; Bartlett sphericity test Sig. 0.000) explain 74.79% of the total variance of the model, and the principal factor, innovation, explains 12.16%, which demonstrates that there is no problem of common method variance bias (Hair et al., 1998). However, in order to avoid these potential problems, future studies should use different data sources to obtain the information.

3.2 | Measures

The scales used in this paper have been previously validated. We use for all the construct five point Likert scales. Table 2 shows both the items used as well as the authors who have previously used them. CSR construct is built considering the situation of the company in relation to the knowledge and application of CSR in the company, the relationship between social and economic values, about energy and other resource consumption, the image and reputation of the company, and about company transparency in dealing with clients and suppliers. In order to account for HR practices, we have asked about the equity of remuneration, career development, employee participation in decision-making, hiring criteria, investment (time and money) in training, and the existence of continuous training. The terms of access to debt can be measured either directly or indirectly. Direct measurement is more commonly used (Savignac, 2008) due to the advantage of receiving the perception of companies in relation to access to financing (Ayalew &

Xianzhi, 2019). Moreover, in difference to indirect methods which use the analysis of financial reports, the use of surveys allows us to ascertain the terms of access to debt in younger and smaller firms (Silva & Carreira, 2012). For this reason, we have asked about the evolution of certain aspects related to company financing such as, the amount of financing offered, expenses and commissions, required guarantees and collateral, the cost of financing, the length of time it takes to receive an answer from the financial institution, and the length of time to repay the debt. Innovation construct includes both product and process innovation. To do this, we have asked about the degree of importance of the innovation carried out by the company in recent years, considering changes or improvements in existing products and/or services, the launching of new products and/or services, changes or improvements in production processes, and the acquisition of new property or equipment. This form of measurement has also been used by Martínez-Ros and Labeaga 2009 and has been shown to be more appropriate for SMEs (Hughes et al., 2001).

4 | ANALYSIS OF THE RESULTS

4.1 | Analysis

The proposed model is estimated considering the structural equation technique through partial least squares using the program

TABLE 2 Variable definitions

Corporate social responsibility CSR	Indicate your degree of agreement with the following statements regarding corporate social responsibility in your company (1: Totally disagree; 5: Totally agree)
Adapted from: Leet et al., 2012, Agyemang & Ansong 2017, Sinha et al. 2018, Adinata 2019, Caro & Salazar 2019, Esparza Aguilar & Reyes Fong 2019, Ikram et al. 2019 and Devie et al. 2018	CSR1 It is widely known by management and applied in company management
	CSR2 It means achieving social value as well as economic value
	CSR 3 The company carries out its activities consuming less energy and other resources
	CSR4 The image and reputation of the company has improved in the last 3 years
	CSR5 Transparency when dealing with clients and suppliers has improved in recent years
Human Resources practices HR	Thinking of all your employees, please indicate your degree of agreement with the following statements: "In the last 2 years, the company…(1: totally disagree; 5: totally agree)
Adapted from: Wright et al. 2005, Den Hartog et al. 2013, Pizarda 2013, Al-Hawary & Shdefat 2016, Ngwenya & Aigbavboa 2017, Rainieri 2017, Bombiak & Marciniuk-Kluska 2019, Duran & Korkmaz 2019 Yang & Lew 2020	HR1 Has guaranteed equity in remunerations
	HR2 Has facilitated career development
	HR3 Has provided opportunities to participate in decision-making
	HR4 Has hired strictly according to the requirements of the positions
	HR5 Has invested enough time and money in training
	HR6 Has provided continuous training
Debt terms DT	In the last two years, to what extent do you think the following variables related to the financing of your company have evolved (more or less favorable)? …(1: very unfavorable; 5: very favorable)
Adapted from: Gorodnichenko & Schnitzer 2013	DT1 The amount of financing offered
	DT2 The expenses and commissions required
	DT3 The guarantees and collateral necessary to have access to financing
	DT4 The cost of financing
	DT5 The length of time between applying for financing and receiving an answer from the financial institution
	DT6 The length of time for debt repayment
Innovation	Indicate whether the firm has carried out the following activities during the previous two years (0 = yes) and rate the importance of that innovative activity (1–5 Likert scales, with 1 = not important and 5 = very important)
Adapted from: Madrid-Guijarro et al., 2009	I1 Changes and improvements in products/services
	I2 New product/service commercialization
	I3 Changes in process
	I4 New equipment acquisition

TABLE 3 Evaluation of the measurement model

Constructs composite A	Cronbach's alpha	Composite reliability	Dijkstra–Henseler's rho (ρA)	AVE	Items' outer loadings and Q^2 blindfolding
Corporate Social Responsibility CSR	0.844	0.884	0.846	0.606	CSR1: 0.794; CSR2: 0.820; CSR3: 0.693; CSR4: 0.769; CSR5: 0.809
Human Resources practices HR	0.857	0.894	0.860	0.585	HR1: 0.702, 0.110; HR2: 0.814, 0.125; HR3: 0.716, 0.078; HR4: 0.766, 0.147; HR5: 0.800, 0.124; HR6: 0.783, 0.110
Debt terms DT	0.969	0.975	0.971	0.866	DT1: 0.917, 0.067; DT2: 0.908, 0.047; DT3: 0.929, 0.052; DT4: 0.940, 0.056; DT5: 0.943, 0.062; DT6: 0.947, 0.064
Innovation	0.925	0.947	0.926	0.816	I1 0.913, 0.116; I2 0.881, 0.101 I3 0.910, 0.103; I4 0.909, 0.107

Note: AVE: Average Variance Extracted; All outer loadings with p values <0.001.

TABLE 4 Measurement model. Discriminant validity Fornell-Larcker (F-L) and ratio HTMT

F-L	1	2	3	4	HTMT	1	2	3
1. CSR	0.778							
2. HR practices	0.450	0.765			2	0.525		
3. Debt Terms	0.254	0.166	0.931		3	0.278	0.180	
4. Innovation	0.313	0.252	0.221	0.904	4	0.350	0.281	0.232

TABLE 5 Inner VIF among antecedents of endogenous constructs

Inner *VIF* values	Debt terms	HR practices	Innovation
CSR	1.253	1.000	1.308
HR practices	1.253		1.258
Debt Terms			1.073

Abbreviations: CSR, Corporate Social Responsibility; HR, Human Resource Practices; DT, Debt Terms.

SmartPLS 3.0. PLS offers reliability and validity of the measures and allows the assessment of the estimation of the paths (Barroso, Cepeda, & Roldán, 2010). As pointed out by Rigdon, Sarstedt, and Ringle 2017, academics must choose the technique that better fits the model type. In this sense, to estimate a factor model CB-SEM should be considered, while a model of composites should be estimated with a composite-based PLS-SEM (Rigdon et al., 2017, Sarstedt, Hair, Ringle, Thiele, and Gudergan, 2016; Chin, 1998, and Haenlein & Kaplan, 2004). If there is any reservation about the nature of constructs, PLS should be chosen since it offers the least biased solutions (Sarstedt et al. 2016). Our paper is based on a composite model, which is the main reason for using PLS-SEM. Composite indicators are the operational definition of the emergent construct that mediates all its effects on the model to be considered (Henseler, 2015). Constructs measured with composite indicators do not have an error term, opposing to what occurs with causal formative indicator models. Consequently, composite indicators work as contributors to a construct instead of truly causing it (Bollen, 2011; Bollen & Bauldry, 2011). These indicators have to share the same consequences (Henseler, 2017), although they may not be unidimensional and might not share a conceptual unit. Thus, composite indicators may signify different features relating to the construct. As explained by Sarstedt et al., 2016, to estimate the paths, PLS uses Mode A and Mode B. Mode A links to the correlation weights derived from bivariate correlations between each indicator and the construct, while Mode B has to do with regression weights. Our proposed model is a composite type A (Chin, 1998; Dijkstra & Henseler, 2015). PLS technique is also suitable in this research because (1) PLS does not require specific distribution in the indicators (Chin, 2010), (2) PLS avoids serious problems such as inadmissible or improper solutions and indeterminate factors (Fornell & Bookstein, 1982), and (3) PLS is quite robust when regressors are omitted (Cassel, Hackl, & Westlund, 1999). In order to test the hypotheses, a bootstrap method based on 5000 sub-samples has been used.

4.2 | Results

4.2.1 | Measurement model

In order to verify the reliability and convergent validity of the constructs, we have paid attention to factor loadings, Cronbach's Alpha, composite reliability (Chin, 1998), the Dijstra-Henseler rho ratio (Dijkstraand Henseler, 2015), and the average variance extracted (AVE) (Table 3). These parameters are reported in Table 2. Results show that the four constructs of the model (CSR, HR practices, Debt Terms, and Innovation) have indicators whose loadings are above or extremely close to the recommended threshold of 0.707 (Carmines &

TABLE 6 Structural model

Paths	Coef. (T-value) Unbiased confidence intervals	f^2	Supported
H1: CSR_Innovation	0.218 (10.311)*** [0.183; 0.252]	0.042	Yes
H2a: CSR_HR	0.450 (25.960)*** [0.422; 0.479]	0.253	Yes
H2b: HR_Innovation	0.130 (6.219)*** [0.095; 0.164]	0.015	Yes
H3a: CSR_DT	0.225 (10.343)** [0.190; 0.262]	0.043	Yes
H3b: DT_Innovation	0.144 (7.420)** [0.112; 0.175]	0.022	Yes
H4a: HR_DT	0.065 (2.974)** [0.029; 0.102]	0.004	Yes
Mediating effects			
H2c: CSR_HR_Innovation	0.058 (6.068)*** [0.043; 0.074]		Yes
H3c: CSR_DT_Innovation	0.032 (5.957)*** [0.024; 0.042]		Yes
H4b: CSR_HR_DT	0.029 (2.969)** [0.013; 0.046]		Yes

Abbreviations: CSR, Corporate Social Responsibility; HR, Human Resource Pratices; DT, Debt Terms.
Note: Adjusted R^2: HR: 0.202; DT: 0.067; Innovation: 0.131; **: $p < 0.05$; ***: $p < 0.001$

Zeller, 1979). In fact, the loadings vary between 0.693 and 0.947. All of these loadings are significant (p-value: 0.000). Cronbach's Alpha is higher than 0.7 for each of the four constructs (CSR: 0.844; HR practices: 0.857; Debt Terms: 0.969; Innovation: 0.925). Similarly, the composite reliability (ρ_c) and Dijkstra-Henseler's (ρ_A) show values above the recommended levels, so the internal consistency of the constructs is assured (Cepeda-Carrión et al., 2019). As the AVE is higher than 0.5 (Fornell and Larcker, 1981) (CSR: 0.606; HR practices: 0.585; Debt Terms: 0.866; Innovation: 0.816), convergent validity is demonstrated.

Discriminant validity has been tested considering Fornell-Larcker's criteria (1981) and the Heterotrait-monotrait (HTMT) ratio proposed by Henseler, Ringle & Sarstedt (2016) (Table 4). Both analyses show evidence in favor of this validity. The AVE square roots are higher than the correlation among the other constructs, and the HTMT between each two constructs varies between 0.180 and 0.525, lower levels than the recommended 0.85 (Henseler, Ringle & Sarstedt, 2016). As the inner Variance Inflation Factor values vary between 1.000 and 1.308, with all of them under three, multicollinearity problems among the antecedent variables of each endogenous construct are not an issue in the model (Hair, Hult, Ringle, & Sarstedt, 2014) (Tabel 5).

4.2.2 | Hypothesis testing

Following Chin, 2010, to analyze the explanatory variables of the model, we consider the coefficients and their significance and the value of the adjusted R^2. Values close to 0.2 are considered relevant. Significance is examined carrying out a Bootstrap based on 5000 subsamples.

The results of the structural model reveal evidence that supports the proposed hypotheses (Table 6). A positive and significant relationship between CSR and Innovation is demonstrated as the coefficient linked to this path is 0.218 (t-student: 10.311). Therefore, CSR in small and medium-sized companies affects their levels of innovation, verifying H1. The path between CSR and HR practices is also positive and significant (0.450; t-student: 25.960), as is the one between HR practices and Innovation (0.130; t-student: 6.219), giving evidence that supports H2a and H2b. The indirect effect, through HR practices, of CSR on Innovation is also verified, as the mediating effect is significant and positive (0.058; t-student: 6.068), supporting H2c. Therefore, part of the effect exerted by CSR on Innovation is provoked by the good practices companies implement when it comes to human resources.

In relation to the Debt Terms variable, the results report a positive and significant relationship between CSR and this variable (0.225; t-student: 10.343). Therefore, CSR practices in SMEs provoke an improvement in debt terms, showing a decrease in the financial constraints suffered by these kinds of firms, verifying H3a. The Debt Terms variable is also relevant when it comes to promoting innovation, as the path between these two variables is positive and significant (0.144; t-student: 7.420), supporting H3b. The mediating effect of the Debt Terms variable in the relationship between CSR and innovation is also significant and positive (0.032; t-student: 5.957). Consequently, the positive effect shown by H1 is mediated by the capacity of companies to benefit from favorable debt terms, verifying H3c.

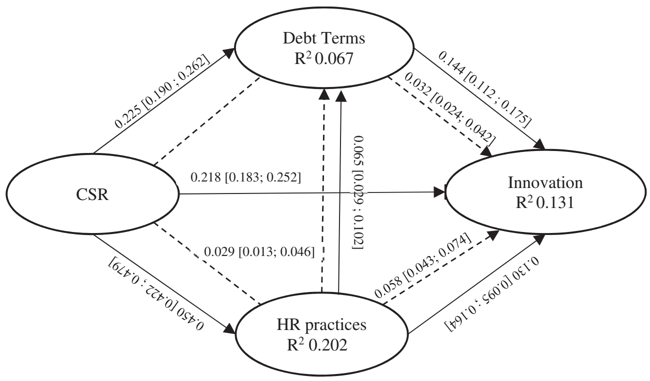

FIGURE 3 Results

Findings report a significant and positive coefficient linked to the relationship between HR and Debt Terms (0.065; t-student: 2.974). Consequently, good HR practices do affect the debt terms firms are subject to. This finding verifies H4a. Finally, results show evidence of a significant indirect effect of HR practices on the relationship between CSR and Debt Terms. The mediating effect accounts for 0.029 (t-student: 2.969). Thus, not only does a direct effect of CSR on debt terms for firms exist but there is also an indirect effect due to the influence exerted by HR practices. This evidence verifies H4b (Figure 3).

5 | DISCUSSION AND CONCLUSIONS

This work is centered on a study of how CSR contributes to an increase in innovative activities in SMEs, and whether this relationship is mediated by HR practices and debt terms. An empirical study using a sample of 2825 companies has been carried out.

The results demonstrate that innovative activities are influenced by external debt terms, HR practices, and CSR practices. These effects are not only direct and positive but significant indirect effects are also obtained, which allow the positive effects of CSR to be enhanced. Therefore, innovation in SMEs is benefited by the good practices of CSR, but this effect is also enhanced by favorable debt terms. The positive effect of CSR practices on debt terms through a decrease in asymmetric information goes further, also having repercussions on innovation. These results are in line with those reported in the literature, where it has been demonstrated that suitable CSR management loosens financial restrictions, facilitating access to capital markets (Al-Hadi et al., 2019; Cheng et al., 2014) by improving companies' reputations and, along with this, stakeholder confidence (Ansong, 2017). At the same time, the likelihood of suffering financial difficulties is reduced (Godfrey, 2005), and financing costs are lower (El Ghoul et al., 2011). Through their effect on debt terms, CSR practices allow companies to carry out greater and better innovative activities (Wu et al., 2016).

It is also necessary to highlight the indirect effect of CSR through HR practices. CSR causes employees to feel more committed to the company and to feel more highly valued. This makes employees less resistant to change and more willing to engage, which has positive effects on innovation. Our results confirm previous studies that demonstrate that CSR is a determining factor in human capital performance (Bombiak & Marciniuk-Kluska, 2019), and that the suitable development of HR practices based on strategies oriented toward CSR allow companies to carry out greater (Seenaiah & Rath, 2018) and more efficient innovative activities (Nadan, 2014). This is possible through greater employee commitment (Ceylan, 2013) and training (Leiponen, 2005).These actions are essential to ensure better efficiency in the innovative activity of SMEs (Cinnirella & Streb, 2017) since they need flexible human capital who can adapt to the changes innovation brings about (Michaelis & Markham, 2017).

The effects of HR practices go further. The results demonstrate that human resource practices serve as a vehicle to improve debt terms. Therefore, the companies that implement good HR practices thanks to the development of a suitable CSR policy, see how these affect debt terms both directly and indirectly. Previous studies have arrived to the conclusion that CSR policies which include practices directed toward employee training and capacity-building in economic-financial material provide the company with a greater capacity to negotiate with financial institutions (Porras, 2011), resulting in access to better debt terms to cover their financial needs (Aldén & Hammarstedt, 2016; Barbi & Mattioli, 2019).

The results of our study offer implications for the theory and research on CSR and innovation by incorporating into the literature the roles that HR practices and debt terms play as enhancers in the relationship between CSR and innovation in SMEs. It is especially relevant to consider the CSR policies centered on reducing information asymmetries. This is because these actions result in better innovation due to improved debt terms and access to capital.

From a practical perspective, the results have useful implications for SME management. Managers are given guidelines on how to develop CSR strategies in the most suitable way to stimulate innovation (García-Piqueres & García-Ramos, 2020), preparing and monitoring their projects, in order to strategically and more efficiently use the available economic, social, and environmental resources and capacities (Bacinello et al., 2020), and therefore better employ the competitive advantages that companies linking CSR to innovation obtain (Bocquet et al., 2017). In this way, sustainable development can be achieved in the SME. At the same time, this study suggests to SME managers that CSR practices are not only beneficial to their company's social image but they also promote a strengthening of commitment in their human capital (Afsar et al., 2020), attracting and retaining the best talent, and foster stakeholder confidence, which will, no doubt, permit them to achieve better options when financing their innovative activities (Al-Hadi et al., 2019) and even to avoid bankruptcy issues (Belas et al., 2020). So, managers with superior ability can efficiently implement CSR activities to foster firm value during unstable periods as the current one (Gong et al., 2020).

In relation to public policy, the results signal some interesting pathways. In SME innovation programs, complementary consciousness-raising activities on the medium and long-term benefits of CSR should be included. SMEs with fewer resources available to implement a suitable CSR policy in their companies should be given assistance (Gallardo-Vázquez et al., 2019; Stoian & Gilman, 2017), especially in actions directed toward human capital (Apospori, 2018). Assistance could take the form of incentives (tax write-offs, aid in procurement, etc.) (Okamuro et al., 2019), or subsidies to establish CSR projects (Almatrooshi et al., 2018; Kudłak et al., 2018; Lu et al., 2019).

This study has some limitations that could indicate future lines of research. First, the sample only includes Spanish SMEs, for which the results cannot be generalized to other countries (García-Piqueres & García-Ramos, 2020). It would be interesting to carry out studies in other geographic areas and compare the results obtained (Javed et al., 2020; Martinez-Conesa et al., 2017). Second, the study has been performed using transversal data, so the time effects in the proposed model have not been analyzed. Longitudinal studies are necessary in order to do this (Zheng et al., 2019). Third, the information used has come from a single source through the opinion of SME managers. Therefore, using quantitative data from other sources (Battaglia et al., 2014), or employees' opinions, could back up our results (Afsar et al., 2020).

Our study opens new lines of research which could contribute to strengthening the literature on the relationship between CSR and innovation. Future studies could analyze the mediating or moderating effect of certain managerial characteristics in SMEs, such as leadership style, gender, etc., or contingent factors, such as the growth, dynamism, and/or competitiveness of the industry (Castejón & López, 2016; Martinez-Conesa et al., 2017). Finally, studies directed at explaining in greater detail the generation of innovation through CSR practices and the resources necessary to do so would improve understanding of the processes that lead SMEs to make decisions about innovation strategies.

In spite of these limitations, this study sheds new light on the relationship between CSR and business innovation, recognizing that this relationship can be mediated by HR practices and debt terms.

ACKNOWLEDGMENTS

This study has received funding from FAEDPYME Fundación para el análisis económico de la Pyme and has been supported by Cátedra de Emprendimiento Santander-UPCT.

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How to cite this article: Santos-Jaén JM, Madrid-Guijarro A, García-Pérez-de-Lema D. The impact of corporate social responsibility on innovation in small and medium-sized enterprises: The mediating role of debt terms and human capital. *Corp Soc Responsib Environ Manag*. 2021;28: 1200–1215. https://doi.org/10.1002/csr.2125