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The impact of corporate social responsibility on the performance of small and medium-sized enterprises can be mediated by innovation ability and learning orientation

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ABSTRACT

Every company will face complexity, change, and increasingly fierce business competition that occurs not only in large companies but also in Micro, Small, and Medium Enterprises (MSMEs). Achieving competitive advantage for MSMEs requires assistance and guidance from external parties, both government and private, through the Corporate Social Responsibility (CSR) program. This study examines the effect of CSR programs on the innovation ability, learning orientation, and performance of MSMEs. The ability of Innovation and learning orientation to mediate the relationship between CSR programs and the performance of MSMEs. This study's population is the MSME owners receiving CSR program assistance from the government (BUMN) and the private sector in Tulungagung, Blitar, Malang, Batu, and Sidoarjo districts, with a research sample of 165 MSME owners. Based on Structural Equation Modeling (SEM), the study results show that companies or governments that provide CSR program assistance to SMEs contribute to increasing innovation capabilities. For companies or governments, it is necessary to have a model of CSR assistance. Assistance is related to providing training on how to improve product quality, providing understanding on compliance with legal standards in business management, providing understanding on the formation of a comprehensive code of ethics in business management, and providing understanding about the contribution of SMEs to charity. MSME owners are expected to maximize innovation by adopting new products and developing new product variations. In addition, SME owners need to find solutions to improve the production process and start adopting other MSME production processes to be better than their competitors.

Contribution/Originality: This research contributes to the Resource-Based View (RBV) theory that MSMEs want to get good performance in achieving competitive advantage due to the influence of the external environment. In this situation, external SMEs and SMEs acting as CSR recipients carry out the implementation of the CSR program.

1. INTRODUCTION

Expanding small and medium-scale industries in a nation's economy indicates its growth and serves as a potential remedy for addressing unemployment and stimulating economic activity. Nevertheless, small and

medium-sized enterprises (SMEs) encounter several constraints during their growth and expansion. These restrictions encompass challenges in market development, specifically in terms of implementing market penetration strategies, expanding into new markets, and enhancing product development. Ayandibu and Houghton (2017) revealed that SMEs are generally still running with simple management and following the ability of the owner or entrepreneur who runs them. Caldera and Desha (2019) argue that one of the factors that determine success in implementing sustainable business for SMEs is the internal factors of the business actors themselves.

The phenomenon faced by SMEs demands that they improve their performance. Improving the performance of SMEs can be done with assistance and guidance from external parties (government and private) through the Corporate Social Responsibility (CSR) program. Guzman, Castro, and Torres (2016) explained that providing CSR program assistance to SMEs can improve their performance. Kamyabi, Barzegar, and Kohestani (2013) found that CSR programs significantly affect the performance of SMEs. Torugsa, O'Donohue, and Hecker (2012) explain that CSR programs have a significant influence on the performance of SMEs. Ali, Kashif, Syed, Jamil, and Maria (2010) stated that CSR programs directly affect organizational performance. CSR programs to improve SMEs' performance cannot always be implemented effectively and face obstacles. Ghassani (2015) concludes that there are barriers to CSR programs.

The results of previous empirical studies show that the partnership program in the form of CSR for SMEs still has obstacles that can affect the performance of SMEs, so it is interesting to conduct a review through innovation capabilities and learning orientation.

Implementing CSR programs is one strategy to allow SMEs to grow their businesses through innovation skills. Economic growth and entrepreneurship are the initial concepts of innovative capability (Rosli & Sidek, 2013). According to Kuratko and Hodgetts (2004), innovation is a change and an increase in resources that help SMEs create additional value (new wealth). Innovation capability generates concepts and develops inventions for anything from services to products (Thornhill, 2006). According to Lesakova (2009), SMEs' capacity for innovation is not just a crucial factor in determining how successful they will develop. Borger and Kruglianskas (2006); Ramos, Donate, and Guadamilas (2014); Conesa (2014); Costa, Lages, and Hortinha (2015); Mobius (2009); and Bocquet (2011) all come to the same conclusion: CSR implementation has a considerable impact on creative ability.

The capacity for Innovation among SMEs aids in raising their level of performance. According to several research studies, employing innovation for small enterprises (SMEs) is crucial for enhancing operational efficiency (Nybakk, 2012). According to Zhang and Chen (2014), SME innovation is difficult in innovative practice. SME innovation must deal with challenges, effects, and tactics to boost performance. Rosli (2013) demonstrates that innovative SMEs do better at product and process innovation. According to Serna, Giles, Morgan, and Bubeck (2016); Saunila and Ukko (2014); and Anton, Muzakan, Muhammad, and Syamsudin (2015), SMEs' innovation has a favorable and significant impact on performance.

Through a focus on learning, CSR program implementation aids SMEs in their learning process. Learning orientation improves employees through increased competence, skills, and knowledge (Nurn & Tan, 2010). Activities that use knowledge and skills to boost competitive advantage are referred to as learning-oriented activities. Meeting client wants, market shifts, competitor activity, and rival development of new technology and goods are among the activities (Calantone, Cavusgil, & Zhao, 2002). The ability to transfer knowledge from one person to another and between groups, a dedication to learning, an openness to the outside world, a commitment to general knowledge, systems for developing learning, and organizational renewal processes are some of the essential traits of a learning orientation (Mavondo, Chimhanzi, & Stewart, 2005).

According to Zhang and Chen (2014), the CSR program's definition of learning is a learning process in which new skills, competencies, and capacities are developed. SMEs have a social obligation to support their employees' education. CSR is in charge of creating mechanisms for learning by enhancing analytical abilities and procedures, making information resources available, and providing internal system facilities for growth and adaptation to

environmental changes. The authors of Orlitzky, Schmidt, and Rynes (2003) and Nurn and Tan (2010) illustrate how CSR and learning orientation are positively related.

Their learning orientation influences the performance of SMEs. According to Hafeez, Mohd Shariff, and Mad Lazim (2013), learning orientation greatly impacts how well SMEs function. According to Eshlaghy, Maatofi, and Branch (2011), a learning orientation inside an organization would result in a more dynamic environment for the learning process and behavioral changes that would enhance business performance. According to Abiodun and Kida (2016), Baker and Sinkula (1999), and Farrell and Oczkowski (2002), learning orientation significantly affects the performance of SMEs. Santos-Vijande, Sanzo-Perez, Alvarez-Gonzalez, and Vazquez-Casielles (2005) assert that learning orientation has little impact on the success of SMEs.

According to the above description, a study on SMEs' learning orientation and innovation is required to mediate the influence of the CSR Program on the performance of SMEs developed in one model.

2. THEORETICAL REVIEW

2.1. Corporate Social Responsibility

Kotler and Lee (2005) state that "corporate social responsibility is a commitment to improving community well-being through discretionary business practices and the contributions of corporate resources." Holme and Watts (2006) define Corporate Social Responsibility as an ongoing commitment to contribute to economic development in order to improve the quality of life of workers, local communities, and society. Chochius (2006) explains that the indicators of the CSR program for SMEs are divided into internal CSR, represented by the employee, and environmental indicators, while external CSR is represented by suppliers or business partners (Suppliers/Business partners) indicators, consumers (Consumers) and society (Community). CSR program through the pyramid concept of Corporate Social Responsibility (CSR) developed by Carroll (1979), provides a theoretical and logical justification for why a company needs to implement CSR for the surrounding community. Carroll (1979) and Maignan and Ferrell (2004) state that four responsibilities (economic, legal, ethical, and philanthropic) are distinguished from covering the full view of CSR and what stakeholders expect from the company.

2.2. Small and Medium Business Innovation

According to Kuratko and Hodgetts (2004), innovation is a change and an increase in resources that help SMEs create additional value (new wealth). The process of coming up with ideas and generating inventions, from goods and procedures to customer services, is often referred to as Innovation (Thornhill, 2006). Innovation plays an important role for large companies and SMEs (De Jong & Vermeulen, 2006). They argue that innovation is one of the most important competitive tools and is generally seen as a core value for measuring firm capabilities. Lesakova (2009) mentions that the dimensions of SME innovation include product, process, and product process innovation. At the same time, the dimensions Kemp, Folkeringa, De Jong, and Wubben (2003) used are product innovation, process innovation, and output innovation. Rosli and Sidek (2013) argue that elements include product, process, and market innovation. Meanwhile, Nybakk (2012) stated that the SME innovation indicators consist of product, process, and business system innovation.

2.3. Learning Orientation

Learning orientation develops employees through increasing competence, skills, and knowledge (Nurn & Tan, 2010). Learning orientation relates to activities that include meeting customer needs, market changes, competitor actions, and the development of new technologies and products by competitors (Calantone et al., 2002). Jerez-Gomez, Céspedes-Lorente, and Valle-Cabrera (2005) proposed that organizations must be committed to providing integrated knowledge transfer to improve the knowledge and skills of their employees. Small and Medium

Enterprises need to learn what customers want and understand what it takes to create superior value and have a competitive advantage in the market (Hunt & Morgan, 1996).

According to Eshlaghy et al. (2011); Mahmood and Hanafi (2013) and Martinette, Obenchain-Leeson, Gomez, and Webb (2014), indicators of commitment to learning, shared vision, and open-mindedness shape learning orientation. Nurn and Tan (2010) reveal learning orientation as seen from managerial commitment, systems perspective, openness, and experimentation. Abiodun and Kida (2016) explain that the indicators that form a learning orientation are commitment to learning and open-mindedness. Meanwhile, Nybakk (2012) explains that learning orientation indicators consist of learning commitment and shared vision.

2.4. SME Performance

SMEs are crucial as a hub for company growth for entrepreneurs and financial backers to address unemployment, job creation, innovation, and long-term economic development (Abiodun & Kida, 2016). According to Bahiti (2008), SMEs must recognize their resources to maximize performance and generate revenues. SMEs consistently strive to accomplish their objectives when managing their businesses. Goals are the end outcome of all operational SME actions. Thus, efforts are required to accomplish them. The complexity of a company's business structure (Chong, 2008), organizational complexity (Hult, Hurley, & Knight, 2004), and the external environmental conditions of SMEs are all elements that determine how difficult it is for businesses to achieve their goals.

Taticchi, Asfalti, and Sole (2010) explain that indicators for measuring the performance of SMEs usually use financial performance, such as ROI and ROE. According to Hudson, Smart, and Bourne (2001), SMEs can measure their performance in terms of their financial performance, operational performance (dimensional time, quality, and flexibility), and cultural aspects of how they interact with their environment (through human resource dimensions). Hafeez et al. (2013) explained that SME performance indicators are measured by financial performance and market performance. Financial performance is measured by operating profit and Return on Investment per year. Meanwhile, market performance is seen from SMEs' sales and market share levels for three years. According to Albahussin (2015), markets, innovation, production, and financial indicators all contribute to measuring financial performance.

3. METHODS

This study uses a quantitative approach by testing the learning orientation and Innovation of SME and mediating the effect of CSR programs on the performance of SMEs, developed in one model. This research was conducted in Tulung Agung Regency, Blitar Regency, Malang City, Batu City, and Sidoarjo Regency. The population of this study was SME owners who received CSR program assistance from the government (Badan Usaha Milik Negara /BUMN) and the private sector, with a sample of 165 SME owners. The sources of data used in this study are primary data obtained directly from respondents and collected through questionnaires with operational variables as follows: Table 1 shows the operationalization of variables, which includes the research variables, dimensions, and indicators that are used to find out how well the CSR programme is working, how innovative the company is, how focused it is on learning, and how well the small business is doing.

The Likert scale model measured the research variables with a score of 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, and 5= strongly agree. Structural equation modeling analysis of the study's data (SEM). In order to determine whether a model is feasible, a variety of suitable index types are used to gauge how closely the data presented and the hypothesized model agree. Once the model satisfies the requirements, it is important to test the critical ratio (CR)-based hypothesis, which is assessed using a probability value (p). If the p-value is less than or equal to 0.05, the effect is significant; otherwise, it is not. In the interim, a test will be conducted using the Baron and Kenny (1986).

4. RESULTS AND DISCUSSIONS

4.1. Instrument Testing

Before the instrument is used to carry out research, it must be tested first on several predetermined respondents. Testing of research instruments was carried out by spreading a small sample of 30 respondents. Table 2 shows the outcomes of assessing the validity and reliability of the instrument:

Table 1. Operational matrix of research variables.

No	Variable	Dimension	Indicator	Source
1	CSR program	Economic responsibility	1. Encouraging the develop of long-term strategies 2. Encourage the establishment of procedures for handling customer complaints 3. Encouraging to improve product quality	Carroll (1979); Lukas and Ferrell (2000)
		Legal responsibility	4. Encouraging compliance with the law 5. Encouraging products to meet legal standards 6. Encouraging to know the relevant environmental laws	
		Ethical responsibility	7. Encourage the establishment of a comprehensive code of ethics 8. Encouraging regulations on health and safety 9. Encouraging employees to be provided with adequate training to perform work tasks safely	
		Philanthropic responsibility	10. Encouraging partnerships with local businesses 11. Encouraging contributions to charity 12. Encouraging the implementation of programs to reduce the amount of wasted energy and materials	
2	Ability innovation	Product innovation	1. New product development 2. Product modification 3. Existing product imitation capabilities	Lin, Chen, and Shun Chiu (2010); Baregheh, Rowley, Sambrook, and Davies (2012) and Toma, Larisa, and Lonescu (2014)
		Technological innovation	4. Developing new technology 5. Utilizing technology in creating products 6. The level of Innovation of SMEs in the addition of new technology	
		Marketing innovation	7. Providing new product options through online media 8. Expanding marketing reach through online media	
3	Learning orientation	*Commitment to learning*	1. Employee capacity development 2. Employee skill development	Eshlaghy et al. (2011); Mahmood and Hanafi (2013) and Nurn and Tan (2010).
		Shared vision	3. Commitment to achieving SME goals 4. Shared goals between SME employees and owners	
		Open-mindedness	5. Changing mindsets for new ideas 6. Receive all information from consumers	
5	SME performance	Financial performance	1. Profit achievement increased in the last three years 2. Increase in working capital in the last three years	Taticchi et al. (2010); Hafeez, Shariff, and Lazim (2012); Albahussin (2015) and Li, Ragu-Nathan, Ragu-Nathan, and Subba Rao (2006)
		Product performance	3. The number of products produced has increased in the last three years 4. Product requests have increased in the last three years	
		Marketing performance	5. Sales growth has increased in the last three years 6. Customers have increased in the last three years	

All item questions were deemed valid and reliable based on the findings of the validity and reliability tests conducted on them because they all met the requirements for assessing validity and reliability.

Table 2. Validity and reliability test results item.

Variable	Items	Correlation		Coefficient	
		Count	Results	Alpha	Results
CSR program	X1.1.1	0.478	Valid	0.907	Reliable
	X1.1.2	0.577	Valid		
	X1.1.3	0.407	Valid		
	X1.2.1	0.840	Valid		
	X1.2.2	0.705	Valid		
	X1.2.3	0.908	Valid		
	X1.3.1	0.788	Valid		
	X1.3.2	0, 804	Valid		
	X1.3.3	0.699	Valid		
	X1.4.1	0.766	Valid		
	X1.4.2	0.759	Valid		
	X1.4.3	0.861	Valid		
Innovation ability	Y1.1.1	0.795	Valid	0.916	Reliable
	Y1.1.2	0.828	Valid		
	Y1.1.3	0.681	Valid		
	Y1.2.1	0.877	Valid		
	Y1.2.2	0.789	Valid		
	Y1.2.3	0.811	Valid		
	Y1.3.1	0.863	Valid		
	Y1.3.2	0.726	Valid		
Learning orientation	Y2.1.1	0.590	Valid	0.785	Reliable
	Y2.1.2	0.757	Valid		
	Y2.2.1	0.642	Valid		
	Y2.2.2	0.771	Valid		
	Y2.3.1	0.741	Valid		
	Y2.3.2	0.802	Valid		
SME performance	Y3.1.1	0.742	Valid	0.825	Reliable
	Y3.1.2	0.663	Valid		
	Y3.2.1	0.714	Valid		
	Y3.2.2	0.717	Valid		
	Y3.3.1	0.765	Valid		
	Y3.3.2	0.811	Valid		

4.2. Confirmatory Factor Analysis Test

Based on the factor loading value, the results of measurements of the dimensions or indicators of variables can be used to construct latent variables using *Confirmatory Factor Analysis (*CFA) and determine indicators of variables such as CSR program, innovation ability, learning orientation, and SME performance. Table 3 summarizes the CFA test results for the variables CSR program, innovation ability, learning orientation, and SME performance.

The variables in Table 3—the CSR programme, the ability to innovate, the desire to learn, and the performance of small and medium-sized businesses—all have factor loadings (FL) values with significance levels (p) of 0.05 and CR values with numbers greater than 2.0. As a result, all aspects are crucial in constructing variables, including CSR programs, SMEs' success, and their capacity for innovation.

Table 4 displays the measurements of indicators that could constitute the dimensions of the CSR program variables with CFA.

Table 3. Factors loading (λ) measuring variables CSR program.

Variables and dimensions	FL	CR	p
CSR program -> Economic responsibility	0.443	5.035	0.000
CSR program -> Legal responsibility	1.163	9.601	0.000
CSR program -> Ethical responsibility	1.026	10.771	0.000
CSR program -> Philanthropic responsibility	0.964	-	-
Innovation ability -> Product innovation	1.009	11.776	0.000
Innovation ability -> Technological innovation	1.038	9.587	0.000
Innovation ability -> Marketing innovation	0.992	-	-
Learning orientation -> *Commitment to learning*	0.935	8.856	0.000
Learning orientation -> *Shared Vision*	0.964	7.645	0.000
Learning orientation -> *Open-mindedness*	0.814	-	-
SME performance -> Financial performance	0.922	9.507	0.000
SME performance -> Product performance	0.976	9.809	0.000
SME performance ->Marketing performance	1.032	-	-

Table 4. Factors loading (λ) dimensions CSR program variables.

Dimensions and indicators	FL	CR	p
Economic responsibility -> Develop a long-term strategy	0.772	8.993	0.000
Economic responsibility -> Establish procedures for handling customer complaints	0.767	9.098	0.000
Economic responsibility -> Improve product quality	0.724	-	-
Legal responsibility -> Comply with legal regulations	0.423	6.140	0.000
Legal responsibility -> Meets legal standards	0.556	7.823	0.000
Legal responsibility -> Knowledge of relevant environmental laws	0.609	-	-
Ethical responsibility -> Establish a comprehensive code of ethics	0.604	8.574	0.000
Ethical responsibility -> Have regulations regarding health and safety	0.691	9.944	0.000
Ethical responsibility -> Provided adequate training to perform job duties safely	0.757	-	-
Philanthropic responsibility -> Partnership with local business	0.801	11.838	0.000
Philanthropic responsibility -> Contribute to charity	0.715	10.333	0.000
Philanthropic responsibility -> Implement programs to reduce the amount of wasted energy and materials	0.767	-	-

Based on Table 4, it is clear that the indicators that make up economic responsibility, legal duty, ethical responsibility, and philanthropic responsibility have factor loadings (FL) values with significance levels (p) 0.05 and CR values that display numbers greater than 2.0. These variables are crucial for determining the dimensions of economic, legal, ethical, and philanthropic responsibility. The indication that is thought to have the largest or strongest contribution to the dimension of economic responsibility is establishing a long-term strategy, according to the loading factor value of each indicator.

Table 5. Factors loading (λ) dimensional gauges innovation ability variable.

Dimensions and indicators	FL	CR	p
Product innovation -> New product development	0.706	10.367	0.000
Product innovation -> Product modification	0.752	11.183	0.000
Product innovation -> Existing product imitation capabilities	0.761	-	-
Technological innovation -> Developing new technology	0.725	9.062	0.000
Technological innovation -> Utilizing technology in creating products	0.671	8.304	0.000
Technological innovation -> The level of innovation of SMEs in the addition of new technology	0.632	-	-
Marketing innovation -> Providing new product options through online media	0.722	11.088	0.000
Marketing innovation -> Expanding marketing reach through online media	0.806	-	-

The indicators thought to have made the biggest or most significant contribution to the dimensions of legal responsibility are aware of the pertinent environmental regulations. The strongest contributors to the dimension of

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ethical responsibility are provided with the necessary training to carry out their jobs securely. Partnerships with local businesses are thought to have the biggest or strongest influence on defining the parameters of charitable responsibility.

Table 5 displays the measurements of indicators that can be used to build the dimensions of the innovation ability variable with CFA.

A factor loading (FL) value with a significance level (p) of 0.05 and a CR value that denotes a number greater than 2.0 are indicators that make up the dimensions of product innovation, technological innovation, and marketing innovation. Therefore, each of these variables plays a crucial role in shaping the dimensions of technological innovation, marketing innovation, and product innovation. The indicator that is thought to have the highest or strongest contribution to the dimension of Product innovation, when examined from the loading factor value of each indicator, is the capacity to replicate existing products. Indicators that are thought to have the largest or strongest influence on the dimensions of technological innovations to create new technologies and the dimensions of marketing innovations to increase the reach of marketing through online media.

Table 6 displays the measurements of indicators that can be used to build the dimensions of the learning orientation variable with CFA.

Table 6. Factors loading (λ) dimensional gauges learning orientation variables.

Dimensions and indicators	FL	CR	p
Commitment to learning -> Employee capacity development	0.453	5.554	0.000
Commitment to learning -> Employee skill development	0.855	-	-
Shared vision -> Commitment to achieving SME goals	0.666	7.670	0.000
Shared vision -> Shared goals between SME employees and owners	0.668	-	-
Open-mindedness -> Changing mindset for new ideas	0.832	11.603	0.000
Open-mindedness -> Receive all information from consumers	0.864	-	-

The indicators comprising commitment to learning, shared vision, and open-mindedness dimensions have factor loadings (FL) with significance levels (p) 0.05 and CR values that display numbers larger than 2.0. Therefore, each of these indicators plays a crucial role in developing the traits of open-mindedness, shared vision, and dedication to learning. The development of employee skills is also thought to have the highest or strongest contribution—based on the loading factor value of each indicator—to the dimension of commitment to learning. The factor that contributes most to or most significantly to the formation of the shared vision dimension is the similarity of goals between SME employees and owners. Getting full information from customers is thought to have the biggest or strongest impact on establishing the open-mindedness component. Table 7 displays the measurement findings of the indicators that could constitute the dimensions of the SME performance variables with CFA.

Table 7. Factors loading (λ) dimensions SME performance variables.

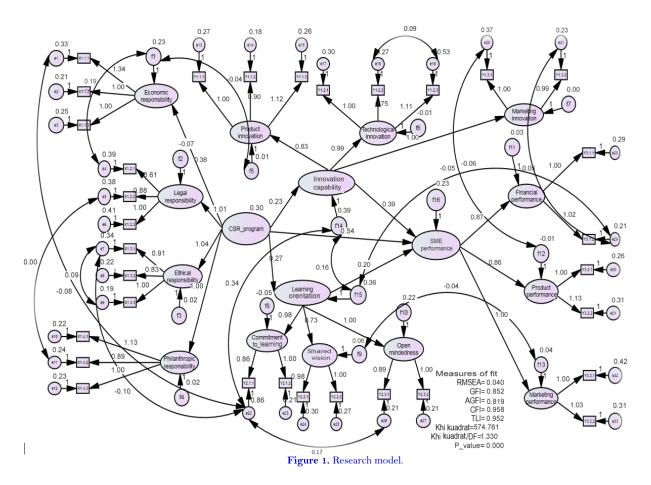| Dimensions and indicators	FL	CR	p
Financial performance -> Profit achievement increased in the last three years	0.758	-	-
Financial performance -> Increase in working capital in the last three years	0.814	10.943	0.000
Product performance -> The number of products produced increased in the last three years	0.751	-	-
Product performance -> Product requests increased in the last three years	0.759	10.959	0.000
Marketing performance -> Sales growth has increased in the last three years	0.745	-	-
Marketing performance -> Customers have increased in the last three years	0.799	11.058	0.000

A factor loading (FL) value with a significance level (p) of 0.05 and a CR value that denotes a number greater than 2.0 are present in the indicators that make up the dimensions of financial performance, product performance,

and marketing performance. These data thus form aspects of financial performance, product performance, and marketing performance. The rise in working capital over the past three years is also deemed to have the highest or strongest contribution to the dimension of financial performance when looking at the loading factor value of each indicator. The increased demand for products over the past three years is thought to have had the biggest influence on the dimensions of product performance. The indicator considered to have the strongest contribution to shaping the dimensions of marketing performance is the increase in customers in the last three years.

4.3. SEM Analysis Results

Test results with *Structural Equation Modeling* (SEM) are presented in Figure 1.

Figure 1. Research model.

The criteria for the goodness of fit indices are used to evaluate the final model test results shown in Figure 1. The evaluation of the suggested model reveals that the entire construct has produced a value that is critical. As a result, the model can be classified as appropriate and practicable for usage, allowing that interpretation to be used for future discussion.

4.4. Hypothesis Testing Results

Using the critical ratio (Cr) from the output regression Weight results, the direct effect of CSR programs on SMEs' innovative capacity, learning orientation, and performance is tested. If the p-value is less than 5%, there is a direct effect. Table 8 provides a rundown of the findings from the hypothesis test.

Table 8. Results of regression weight analysis.

Connection	Path coefficient	Cr	p-value	Information
CSR program -> Innovation ability	0.198	2.934	0.003	Significant
CSR program -> Learning orientation	0.238	2.931	0.003	Significant
Innovation ability -> SME performance	0.361	4.541	0.000	Significant
Learning orientation -> SME performance	0.183	2.389	0.017	Significant
CSR program -> SME performance	0.432	5.759	0.000	Significant

The direct influence test results reveal that the CSR program significantly affects learning orientation, innovation capacity, innovation ability, and learning orientation variables. With a p-value of 5% significance, the CSR program impacts the performance of SMEs.

According to the criteria for the mediation test proposed by Baron and Kenny (1986), partial mediation can be stated to have occurred if (c) is significant and (a) and (b) are significant but (coefficient)'s value is less (down) than (d). Table 9 lists the test results for innovation capacity and learning orientation as mediators of the effect of CSR initiatives on the performance of SMEs.

Table 9. The Effect of CSR Programs on MSME performance by mediation of innovation ability and learning orientation.

Connection	Path coefficient	Cr	p-value	Information
CSR program -> Innovation ability	0.275 [a]	3.487	0.000	Significant
Innovation ability -> SME performance	0.436 [b]	5.715	0.003	Significant
CSR program -> SME performance	0.454 [c]	6.029	0.000	Significant
CSR program -> Learning orientation	0.240 [a]	2.938	0.003	Significant
Learning orientation -> SME performance	0.355 [b]	4.382	0.000	Significant
CSR program -> SME performance	0.485 [c]	6.005	0.000	Significant
CSR program -> SME performance	0.570 [d]	6.678	0.000	Significant

Note: (a), (b) and (c) are the results of the path coefficients and the overall model, (d) is the result of the path coefficient of the overall model without any mediating variables.

According to the path coefficient test results, the CSR program variable controlled by the ability of innovation has a coefficient value of 0.454, which indicates that it has a considerable impact on the performance of SMEs (c). With a coefficient value of 0.570, the CSR program's effect on SMEs' performance is less pronounced (downward) than it would be without the mediating factor of creative ability (d). While the learning orientation-controlled path coefficient of the CSR program variable, with a coefficient value of 0.485, can considerably affect the performance of SMEs (c). The influence of CSR program on the performance of SMEs without a mediating variable of learning orientation, with a coefficient value of 0.570, is less significant than the influence of the CSR program (d).

5. DISCUSSION

5.1. The Influence of CSR Programs on Innovation Ability

The government or business partnership program for SMEs that carry out CSR programs can improve SMEs' capacity for innovation. Companies or governments carry out CSR program assistance through economic, legal, ethical, and philanthropic responsibility dimensions. Companies or governments implementing CSR programs are carried out by providing learning to SMEs. How to implement CSR programs, develop long-term strategies, know relevant environmental laws, be given training on performing work duties safely, and learn about partnerships with local businesses.

The effectiveness of CSR programs carried out by companies or governments contributes to the improved ability of SMEs to innovate, such as Product Innovation, technology innovation, and marketing innovation. The innovation is carried out using the ability of SMEs to imitate existing products, SMEs to develop new technologies in the production process, and SMEs to expand their marketing reach through online media.

Implementing CSR programs is one strategy to allow SMEs to grow their businesses through innovation skills. Economic growth and entrepreneurship are the initial concepts of innovative capability (Rosli & Sidek, 2013). According to Kuratko and Hodgetts (2004), innovation is a change and an increase in resources that help SMEs create additional value (new wealth). Innovation capability generates concepts and develops inventions for anything from services to products (Thornhill, 2006). According to Ramos et al. (2014), Conesa (2014), Costa et al. (2015), Borger and Kruglianskas (2006), Mobius. (2009), and Bocquet (2011), CSR implementation has a considerable impact on an organization's capacity for innovation.

5.2. The Influence of CSR Programs on Learning Orientation

The implementation of CSR programs carried out by companies or the government through the provision of learning in SMEs how to develop long-term strategies, knowing relevant environmental laws, being given training on performing work duties safely, and learning about partnerships with local businesses can contribute to improving the learning orientation of SMEs owners. This increase in learning orientation is manifested in commitment to learning, such as developing employee skills and shared vision, which is implemented in the similarity of goals between SME employees and owners. Open-mindedness is manifested in being ready to receive all information from consumers.

This outcome is consistent with a study by Zafar and Farooq (2014) that showed the CSR program's learning idea is a learning process for developing new skills, talents, and competencies. SMEs have a social obligation to support their employees' education. CSR is in charge of creating mechanisms for learning by enhancing analytical abilities and procedures, making information resources available, and providing internal system facilities for growth and adaptation to environmental changes. The authors of Orlitzky et al. (2003) and Nurn and Tan (2010) illustrate how CSR and learning orientation are positively related.

5.3. The Influence of Innovation Ability on the Performance of SMEs

The ability of SMEs to innovate in areas like product innovation, technological innovation, and marketing. Innovation and innovation are carried out using the ability of SMEs to imitate existing products, develop new technologies in the production process, and expand their marketing reach through online media, contributing to improving the performance of SMEs, as indicated by an increase in capital. Business in the last three years is an indication of increased financial performance; product demand has increased in the last three years as an indication of increased product performance; and customers have increased in the last three years as an indication of increased marketing performance. Numerous studies emphasize the value of employing innovation for small enterprises (SMEs) to boost their performance (Nybakk, 2012). SME innovation is a difficulty in innovative practice, according to Zhang and Chen (2014). SME innovation must overcome challenges, deal with effects, and employ tactics to boost SME performance. Rosli (2013) shows improved SME success results from product and process innovation. The performance of SME innovation is positively and significantly influenced, according to Serna et al. (2016), Saunila and Ukko (2014), and Anton et al. (2015).

5.4. The Effect of Learning Orientation on the Performance of SMEs

The increase in working capital over the past three years reflects the improvement in SMEs' performance, which in turn reflects an improvement in financial performance.

Product demand has increased in the last three years as an indication of increased product performance. Customers have increased in the last three years as an indication of improved marketing performance because SMEs have a strong desire for learning orientation. The realization of learning orientation by SMEs is based on a commitment to learning, such as developing employee skills, and a shared vision, which is based on the similarity of

goals between SME employees and owners. Open-mindedness is manifested in being ready to receive all information from consumers.

These findings are in line with those of Eshlaghy et al. (2011), who hypothesized that a learning-oriented organizational culture would result in a more dynamic environment for learning and behavioral changes that would enhance the performance of SMEs. According to Hafeez et al. (2013), learning orientation greatly impacts how well SMEs function. According to Eshlaghy et al. (2011), learning orientation inside an organization will result in more dynamic environmental modifications for the learning process and behavioral changes that will boost business performance. According to Baker and Sinkula (1999) and Farrell and Oczkowski (2002), learning orientation significantly affects the performance of SMEs.

5.5. The Influence of CSR Programs on the Performance of SMEs

Companies or governments implementing CSR programs for SMEs are carried out by providing learning to SMEs on how to develop long-term strategies and knowing the relevant environmental laws. MSMEs are trained to do their jobs safely and learn about partnerships with local businesses that can improve the performance of SMEs, as indicated by the increase in working capital in the last three years as an indication of improving financial performance. Product demand has increased over the past three years as an indication of increased product performance, and increased customers in the last three years indicate increased marketing performance.

This result is in line with the study of Guzman et al. (2016), which found that the provision of CSR program assistance to SMEs can improve their performance of SMEs. CSR programs significantly affect the performance of SMEs Torugsa et al. (2012) and Ali et al. (2010).

5.6. The Ability of Innovation to Mediate the Influence of CSR Programs on the Performance of SMEs

Based on the results of the mediation test, it was found that the innovation ability of SMEs acts as a mediator of the indirect effect of the CSR program on SME performance. These results explain that the partnership program is in the form of a CSR program, one of which is providing learning to SMEs on how to develop long-term strategies and knowing the relevant environmental laws. MSMEs are trained to do work assignments safely and learn about local partnerships. Business actors can contribute to SME owners' innovation capabilities, such as the ability of SMEs to imitate existing products, develop new technologies in the production process, and expand their marketing reach through online media. An increase in working capital over the past three years as a sign of better financial performance suggests that SME owners' ability to innovate as a result of the CSR partnership program has an impact on improving the performance of SMEs. Product demand has increased in the market in the last three years as an indication of increased product performance, and customers have increased as an indication of increased marketing performance.

The results of this study can develop previous empirical studies conducted by Ramos et al. (2014), Conesa (2014), Costa et al. (2015), Borger and Kruglianskas (2006), Mobius (2009), and Bocquet (2011), which concluded that CSR implementation has a significant impact on innovation capability. Rosli (2013) shows that product and process innovation contribute to more innovative SME performance. Serna et al. (2016), Saunila and Ukko (2014), and Anton et al. (2015) explain that there is a positive and significant influence of SME innovation on performance.

5.7. Learning Orientation Mediating the Impact of CSR Programs on The Performance of SMEs

Based on the results of the mediation test, it was found that the learning orientation acts as a mediator of the indirect effect of the CSR program on SME performance. These results explain that the partnership program is in the form of a CSR program, one of which provides learning to SMEs on how to develop long-term strategies and know the relevant environmental laws. MSMEs are trained to perform work tasks safely and learn about local business partnerships. CSR initiatives can support SMEs' learning orientation and commitment to learning, such as

by fostering employee skill development. This shared vision is implemented based on a common goal between employees and SME owners. Open-mindedness means being ready to receive all information from consumers.

The findings of this research can be used to expand on earlier empirical studies by Orlitzky et al. (2003) and Nurn and Tan (2010), explaining the existence of a favorable association between CSR and learning orientation. According to Eshlaghy et al. (2011), learning orientation inside an organization will result in more dynamic environmental modifications for the learning process and behavioral changes that will boost business performance. The increase in business capital over the last three years, a sign of improved financial performance, and the impact of the CSR partnership program on enhancing SMEs' performance show that SMEs are able to learn and adapt. Product demand has increased in the last three years as an indication of improved product and customer performance and as an indication of improved marketing performance. Baker and Sinkula (1999) and Farrell and Oczkowski (2002) stated that there was a significant effect of learning orientation on the performance of SMEs.

6. CONCLUSION

Through the implementation of CSR programme support, businesses and the government assist SMEs in improving their performance, learning orientation, and capacity for innovation. Innovation capability and learning attitudes act as mediating factors in the relationship between CSR initiatives and SME success. Businesses and governments should have a corporate social responsibility support model that includes training on improving product quality, understanding legal compliance in business management, and developing a comprehensive code. Thanks to business management ethics, it is easy to comprehend the charitable donations made by SMEs. In order to outperform competitors, small and medium-sized enterprise (SME) owners must not only embrace new product variations and early adoption of new products but also find ways to streamline their production processes and include the beginnings of other SME production processes.

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