# To Study Problems and Issues Faced By Smes in Adopting Corporate Social Responsibility (CSR) Practices In The State Of Gujarat

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**ABSTRACT :** *Corporate social Responsibility is very important terminology in today's business world. The term itself has been evolving since 1950s and today it has changed its relevance from merely a responsibility to strategic orientation that makes businesses responsible for society as well as environment and for other stakeholders and at the same time the efforts towards it bring fruits too. Large companies have understood the relevance of the concept of Corporate Social Responsibility but SMEs are yet to involve. SMEs contribute immensely in a country's economic development while consuming all resources haphazardly therefore to understand the CSR and start engaging in CSR practices is a need of the hour for SMEs now. In that context when SMEs think and/or implement CSR practices, with what kind of problems and issues, SMEs may have stuck are important to study. Ultimately it is a fact that they run their businesses in utmost constraints of all kinds of resources; be it time, manpower, technology, money or knowledge. Hence it is difficult for them to think and implement CSR. This paper concentrates on problems and issues faced by SMEs when engaging in CSR as well as reasons of not adopting CSR in the state of Gujarat.*
**KEYWORDS –***Community, Corporate social responsibility, Employee, Environment, Medium scale enterprise, Small scale enterprise, Welfare*

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## I  INTRODUCTION

Corporations and business enterprises are the reason for economic growth in a society. They perform all their business activities with the support and cooperation from the various stakeholders of the society. They use all kind of resources haphazardly without thinking about what will happen in future if these resources would get vanished. They use metals, minerals, forest and/or forestry products, water, land, people and money of general public either in the form of loan from banks or other credit giving agencies or in the form of equity shares. Primary goal of any business is to generate profit and then maximizing the same, but they should think about other aspects like employee welfare, community welfare, environment conservation and optimum use of resources. Corporate social responsibility (CSR) describes the same that along with economic goal, legal and ethical aspects must be considered.. When importance of SMEs is discussed, they are backbone of any economy. Though SMEs are very important economic player in the game of generating products and services, they confront with many problems related to survival and growth due to dynamic business environment. When it is expected that SMEs should adopt CSR practice, problems, issues and reasons behind being reluctant for CSR activities should be found and addressed and therefore in this study the area is attempted.

## II  INTRODUCTION OF CSR

The term CSR is rooted years back; it has its history and a path of evolution. The concept took birth in the twentieth century, almost in early 1950s and has been evolving till present time. According to Caroll(2008), though it has become popular in a recent decade, one can have evidences about business community's concern for society for centuries. During 1950s, it was the time before corporate style of business possessing the dominance, business people had started considering the concept seriously, and it was termed as "social responsibility". Afterwards when corporate form of business became popular and gradually when multinationals took birth, the term social responsibility transformed to corporate social responsibility. As shown in Fig. 1, Carroll developed a pyramid to explain the concept of CSR.

**Fig.1 Carroll's pyramid**

(Source: Carroll, A. B. (1983). Corporate social responsibility: Will industry respond to cut-backs in social program funding? Vital Speeches of the Day, 49, p. 604-608.)

### III DEFINING SMES

According to the ministry of MSME, following table differentiates Micro scale, small scale and medium scale enterprises in terms of manufacturing units.

**Table 1. Investment in MSME**

| | |
|---|---|
| Micro Enterprises | Investment up to rupees 2.5 million i.e. Up to Rs. 2.5 mn. (UD$ 60,000 approx) |
| Small Enterprise | Investment Between Rs. 2.5 mn. And Rs. 50 mn. |
| Medium Enterprise | Between Rs. 50 mn. And Rs. 100 mn. |

Source: https://msme.gov.in/know-about-msme

Along with many other researchers Sweeney (2007) argues same that SMES may have showed low perception of CSR due to the term 'corporate', which means for larger organization, thus SMEs tend to describe CSR loosely. The other reason may be that SMEs are not capable to take up and practice same CSR agenda as large corporates because of experiencing survival and viability of business concept for long term kind of problems (CSR Magazine, 2002). Various barriers of resource constraints in UK context is due to a short-range approach toward CSR and environmental policy, and is formed in short of human and financial resources and limitation of time(Carlisle & Faulkner, 2004).

### IV RESEARCH METHODOLOGY

**IV.I Objectives**

The study has been carried out keeping in view following objectives:

* To study problems and issues faced by SMEs while thinking and/or implementing CSR

**IV.II Descriptive study**

The study will be considered as a descriptive study wherein hypotheses are formulated and inferences are drawn about statistical relationship between independent and dependent variables.

**IV.III Survey Method**

Survey method is used to collect the data for the study. With the help of a structured questionnaire, the survey was carried out. The questionnaire contains questions related to problems and issues faced by SMEs while conceptualizing and/or implementing CSR activities as well as reasons for not engaging in CSR activities. The questionnaire has been designed with the help of five point likert scale ranged from "strongly disagree to strongly agree". All these questions contain total 13 items as problems and issues faced by SMEs in doing CSR. Along with these questions other questions comprise basic information about the firm i.e. name of the firm, product manufactured, type of industry and category of the firm.

**IV.IV Sampling**

In this study primary data has been collected using non-probability convenience sampling method from the SMEs of Gujarat. Sample size of the study is 150 SMEs where the questionnaire was distributed and data had been collected. According to Malhotra (2007); adequacy of sample size depends on the proposed data analysis technique to be used, cost constraint and access to sample frame. To analyze data SPSS software is to be used using which different statistical tests are to be performed. SPSS software is very sensitive to sample size and less stable, when estimations are made based on small sample (Tabachnick & Fidell, 2001; Garson, 2008). Hence a sample size of 150 which is practically possible to reach to and technically feasible has been chosen.

**IV.V Statistical Analysis**
        To analyze the relationship between independent variables and dependent variables and whether dependent variable shows statistically significant relationship with the independent variable is checked with the help of SPSS 24 (SPSS Inc., Chicago, IL) using chi-square test and one way ANOVA. In this study, two independent variables are studied, i.e. category of firm (small scale enterprise or medium scale enterprise) and type of industry wherein a firm competes. Statistical significance of dependent variables "problems and issues faced by SMEs while engaging in CSR activity" is checked against these two independent variables.

<p align="center"><b>V     DATA ANALYSIS</b></p>

**V.I Charts**
Category of Firm
        The data was collected from small and medium scale enterprises. From the sample size of 150, 125 companies belong to small scale enterprises and 25 companies belong to medium scale enterprises. It is shown in the table below and a pie-chart is also prepared for the same. The chart classifies the same based on numbers and in terms of percentages also. It can be seen that 83% of companies included in this study is from small scale enterprises where as only 17% companies belong to medium scale enterprises.

<p align="center"><b>Table 2 Category of Firm</b></p>

| Category | Total |
|---|---|
| Small Scale | 125 |
| Medium Scale | 25 |

Source: Primary data collected for the study
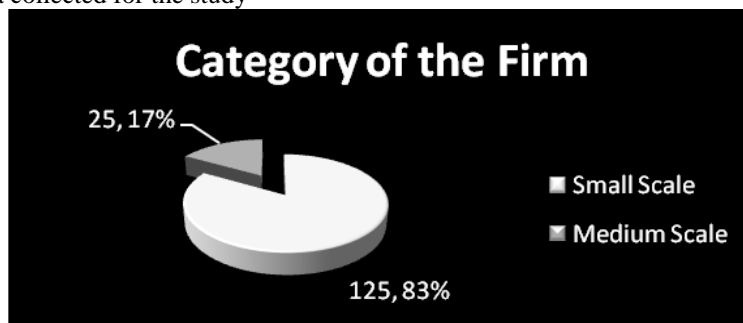


<p align="center"><b>Fig.2 category of firm</b></p>

Type of Industry
        The data has been collected from twelve different industries. The bar chart is drawn below indicates how many firms belong to which industry. Looking at table no. 2, it can be observed that metal and machineries are two industries from which maximum SMEs belong, followed by agro food industry. Whereas electrical and electronics and jewellery industries are the kind of industries from which minimum number of SMEs belong.

<p align="center"><b>Table 3 Type of Industry</b></p>

| Type of Industry | Total |
|---|---|
| Agro Food | 27 |
| Chemical | 4 |
| Pharmaceutical | 10 |
| Food & Beverages | 7 |
| Rubber & Plastic | 13 |
| Printing & Publishing | 12 |
| Metal | 32 |
| Textile | 4 |
| Jewellery | 3 |
| Machineries | 32 |
| Packaging | 4 |
| Electrical & Electronics | 2 |

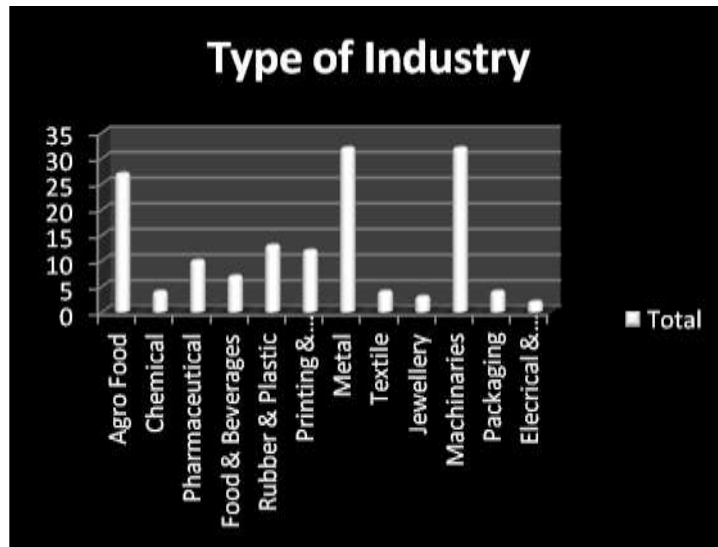Source: Primary data collected for the study

**Fig. 3 type of industry**

**V.II Hypotheses**

To test the hypotheses, one way ANOVA is performed on data using SPSS software.

**H₀₁:** There is no significant difference in the mean value of problems faced in doing CSR with respect to the category of the firm.

**Table 4. Value and Result Interpretation of problems with respect to category of firm**

| Sr. No. | Hypotheses | F | ANOVA | Result | Interpretation |
|---|---|---|---|---|---|
| 1 | H0: There is no significant difference in the mean value of problems faced in adopting CSR [Lagging behind in terms of resources like finance, human and time] with respect to category of the firm | 38.142 | 0.000 | rejected | There is significant difference in the mean value of problems faced in adopting CSR [Lagging behind in terms of resources like finance, human and time] with respect to category of the firm |
| 2 | H0: There is no significant difference in the mean value of problems faced in adopting CSR [Have been facing survival and/or growth related problems due to dynamic environmental forces hence not able to adopt CSR] with respect to category of the firm | 213.724 | 0.000 | rejected | There is significant difference in the mean value of problems faced in adopting CSR [Have been facing survival and/or growth related problems due to dynamic environmental forces hence not able to adopt CSR] with respect to category of the firm |
| 3 | H0: There is no significant difference in the mean value of problems faced in adopting CSR [Difficult to engage employees in performing CSR activities] with respect to category of the firm | 36.623 | 0.000 | rejected | There is significant difference in the mean value of problems faced in adopting CSR [Difficult to engage employees in performing CSR activities] with respect to category of the firm |

| Sr. No. | Hypotheses | F | ANOVA | Result | Interpretation |
|---|---|---|---|---|---|
| 4 | H0: There is no significant difference in the mean value of problems faced in adopting CSR [CSR benefits are intangible and indirect, so it is hard to visualize its fruitfulness] with respect to category of the firm | 28.142 | 0.000 | rejected | There is significant difference in the mean value of problems faced in adopting CSR [CSR benefits are intangible and indirect, so it is hard to visualize its fruitfulness] with respect to category of the firm |
| 5 | H0: There is no significant difference in the mean value of problems faced in adopting CSR [CSR is meant for corporates, It is not a cup of tea for SMEs.] with respect to category of the firm | 113.678 | 0.000 | rejected | There is significant difference in the mean value of problems faced in adopting CSR [CSR is meant for corporates, It is not a cup of tea for SMEs.] with respect to category of the firm |
| 6 | H0: There is no significant difference in the mean value of problems faced in adopting CSR [While adopting community development program, support from the community itself is lacking] with respect to category of the firm | 27.599 | 0.000 | rejected | There is significant difference in the mean value of problems faced in adopting CSR [While adopting community development program, support from the community itself is lacking] with respect to category of the firm |
| 7 | H0: There is no significant difference in the mean value of problems faced in adopting CSR Competent NGO may not be found to be partnered with] with respect to category of the firm | 33.445 | 0.000 | rejected | There is significant difference in the mean value of problems faced in adopting CSR [Competent NGO may not be found to be partnered with] with respect to category of the firm |
| 8 | H0: There is no significant difference in the mean value of problems faced in adopting CSR [Establishing basic infrastructure to use alternative sources of energy like solar or any other energy is costly to get afforded by SME] with respect to category of the firm | 24.535 | 0.000 | rejected | There is significant difference in the mean value of problems faced in adopting CSR [Establishing basic infrastructure to use alternative sources of energy like solar or any other energy is costly to get afforded by SME] with respect to category of the firm |

Looking at the table above, it can be summarized that there is significant difference in the mean value of problems faced in doing CSR with respect to the category of the firm and hence we reject the null hypothesis here.

**H$_{02}$:** There is no significant difference in the mean value of issues faced while doing CSR with respect to the category of the firm

**Table 5 Value and result interpretation of issues with respect to the category of firm**

| Sr. No. | Hypotheses | F | ANOVA | Result | Interpretation |
|---|---|---|---|---|---|
| 1 | H0: There is no significant difference in the mean value of issues faced in adopting CSR [Formal disclosure and reporting of CSR practice is required] with respect to category of the firm | 27.882 | 0.000 | rejected | There is no significant difference in the mean value of issues faced in adopting CSR [Formal disclosure and reporting of CSR practice is required] with respect to category of the firm |
| 2 | H0: There is no significant difference in the mean value of issues faced in adopting CSR [A dedicated personnel or team is to be appointed to initiate, to contact community and/or NGO and to run CSR activities] with respect to category of the firm | 32.087 | 0.000 | rejected | There is no significant difference in the mean value of issues faced in adopting CSR [A dedicated personnel or team is to be appointed to initiate, to contact community and/or NGO and to run CSR activities] with respect to category of the firm |
| 3 | H0: There is no significant difference in the mean value of issues faced in adopting CSR [A separate fund is to be generated to do CSR activities] with respect to category of the firm | 20.305 | 0.000 | rejected | There is no significant difference in the mean value of issues faced in adopting CSR [A separate fund is to be generated to do CSR activities] with respect to category of the firm |

| | | | | | |
|---|---|---|---|---|---|
| 4 | H0: There is no significant difference in the mean value of issues faced in adopting CSR [[To get subsidy from government for adopting certain environment friendly approach, lots of paper work and documentation is demanded] with respect to category of the firm | 27.949 | 0.000 | rejected | There is no significant difference in the mean value of issues faced in adopting CSR [[To get subsidy from government for adopting certain environment friendly approach, lots of paper work and documentation is demanded] with respect to category of the firm |
| 5 | H0: There is no significant difference in the mean value of issues faced in adopting CSR [There is no point of comparison between large corporates and SMEs, though in terms of doing CSR similar types and scale are expected from SMEs.] with respect to category of the firm | 0.113 | 0.737 | accepted | There is no significant difference in the mean value of issues faced in adopting CSR [There is no point of comparison between large corporates and SMEs, though in terms of doing CSR similar types and scale are expected from SMEs.] with respect to category of the firm |

Looking at the table above, it can be summarized that out of five issues narrated here, four issues show there is
significant difference in the mean value of issues faced while doing CSR with respect to the category of the firm and hence we reject the null hypothesis here. Only one issue of comparing and expecting similarity of doing CSR with large scale companies gives p-value as 0.737 which is greater than 0.05, so at this point it can be said that whether it is small scale or medium scale firm, from all such firms expectations of doing CSR has been kept like CSR practices adopted by large corporates. Therefore category is not a differentiating factor as far as this issue is concerned.

$H_{03}$: There is no significant difference in the mean value of problems faced in doing CSR activities with respect to the type of industry

**Table 6 Value and result interpretation of problems with respect to the type of industry**

| Sr. No. | Hypotheses | F | ANOVA | Result | Interpretation |
|---|---|---|---|---|---|
| 1 | H0: There is no significant difference in the mean value of problems facing in doing CSR activities [Lagging behind in terms of resources like finance, human and time] with respect to the type of industry | 3.329 | 0.000 | rejected | There is a significant difference in the mean value of problems facing in doing CSR activities [Lagging behind in terms of resources like finance, human and time] with respect to the type of industry |
| 2 | H0: There is no significant difference in the mean value of problems facing in doing CSR activities [Have been facing survival and/or growth related problems due to dynamic environmental forces hence not able to adopt CSR] with respect to the type of industry | 4.066 | 0.000 | rejected | There is a significant difference in the mean value of problems facing in doing CSR activities [Have been facing survival and/or growth related problems due to dynamic environmental forces hence not able to adopt CSR] with respect to the type of industry |
| 3 | H0: There is no significant difference in the mean value of problems facing in doing CSR activities [Difficult to engage employees in performing CSR activities] with respect to the type of industry | 2.424 | 0.007 | rejected | There is no significant difference in the mean value of problems facing in doing CSR activities [Difficult to engage employees in performing CSR activities] with respect to the type of industry |

| | | F | ANOVA | Result | Interpretation |
|---|---|---|---|---|---|
| 4 | H0: There is no significant difference in the mean value of problems facing in doing CSR activities[CSR benefits are intangible and indirect, so it is hard to visualize its fruitfulness] with respect to the type of industry | 1.215 | 0.276 | accepted | There is no significant difference in the mean value of problems facing in doing CSR activities [CSR benefits are intangible and indirect, so it is hard to visualize its fruitfulness] with respect to the type of industry |
| 5 | H0: There is no significant difference in the mean value of problems facing in doing CSR activities [CSR is meant for corporates, It is not a cup of tea for SMEs.] with respect to the type of industry | 2.099 | 0.015 | rejected | There is a significant difference in the mean value of problems facing in doing CSR activities [CSR is meant for corporates, It is not a cup of tea for SMEs.] with respect to the type of industry |
| 6 | H0: There is no significant difference in the mean value of problems facing in doing CSR activities [While adopting community development program, support from the community itself is lacking] with respect to the type of industry | 1.662 | 0.081 | accepted | There is no significant difference in the mean value of problems facing in doing CSR activities [While adopting community development program, support from the community itself is lacking] with respect to the type of industry |

By analyzing the table given above, it can be summarized that out of eight problems narrated in the question, in five problems we can observe there is a significant difference in the mean value of problems facing in doing CSR with respect to the type of industry. Whereas three problems like CSR benefits are indirect and intangible, hard to realize, competent NGO may not be found to be partnered with and community support may be lacking in adopting a community development program don't show significant difference with respect to the type of industry.

**H$_{04}$:** There is no significant difference in the mean value of issues faced in adopting CSR with respect to the type of industry

**Table 7 Value and result interpretation of issues with respect to the type of industry**

| Sr. No. | Hypotheses | F | ANOVA | Result | Interpretation |
|---|---|---|---|---|---|
| 1 | H0: There is no significant difference in the mean value of issues faced in adopting CSR [Formal disclosure and reporting of CSR practice is required] with respect to the type of industry | 2.220 | 0.013 | rejected | There is no significant difference in the mean value of issues faced in adopting CSR [Formal disclosure and reporting of CSR practice is required] with respect to the type of industry |
| 2 | H0: There is no significant difference in the mean value of issues faced in adopting CSR [A dedicated personnel or team is to be appointed to initiate, to contact community and/or NGO and to run CSR activities] with respect to the type of industry | 2.287 | 0.011 | rejected | There is no significant difference in the mean value of issues faced in adopting CSR [A dedicated personnel or team is to be appointed to initiate, to contact community and/or NGO and to run CSR activities] with respect to the type of industry |
| 3 | H0: There is no significant difference in the mean value of issues faced in adopting CSR [A separate fund is to be generated to do CSR activities] with respect to the type of industry | 1.592 | 0.100 | accepted | There is no significant difference in the mean value of issues faced in adopting CSR [A separate fund is to be generated to do CSR activities] with respect to the type of industry |

| | | | | | |
|---|---|---|---|---|---|
| 4 | H0: There is no significant difference in the mean value of issues faced in adopting CSR [[To get subsidy from government for adopting certain environment friendly approach, lots of paper work and documentation is demanded] with respect to the type of industry | 2.881 | 0.001 | rejected | There is no significant difference in the mean value of issues faced in adopting CSR [[To get subsidy from government for adopting certain environment friendly approach, lots of paper work and documentation is demanded] with respect to the type of industry |
| 5 | H0: There is no significant difference in the mean value of issues faced in adopting CSR [There is no point of comparison between large corporates and SMEs, though in terms of doing CSR similar types and scale are expected from SMEs.] with respect to the type of industry | 1.521 | 0.123 | accepted | There is no significant difference in the mean value of issues faced in adopting CSR [There is no point of comparison between large corporates and SMEs, though in terms of doing CSR similar types and scale are expected from SMEs.] with respect to the type of industry |

It can be summarized that out five issues narrated three issues show significant difference in the mean Value of issues faced in doing CSR with respect to the type of industry. Issues like "separate fund is needed in doing CSR" and "while doing CSR types and scale are expected like big corporates from SMEs". These two issues don't show significant difference in mean values with respect to the type of industry.

## VI    CONCLUSION

- In this sample, 83% firms are small scale firms and rest 17% firms are medium scale firms.
- Data is collected from twelve different industries where maximum number of firms belong to metal and mechanical and machineries industries.
- In hypothesis 1, it is found that there is significant difference in the mean values of problems faced by SMEs while doing CSR with respect to category of firms means that problems faced by firms belong to medium scale enterprises and small scale enterprises are different and it depends on the category of the firm.
- In hypothesis 2, it is concluded that four out of five items narrated as issues faced by firms  is statistically significant with respect to  the categories of firms indicates that issues faced  by small scale firms are different than issues faced by medium scale firms.
- In hypothesis 3, it is concluded that largely the problems faced by firms are statistically significant with respect to the type of industry. This shows that problem faced by different firms related to CSR, are different according to the type of industry.
- In hypothesis 4, it is concluded that largely issues faced by firms show difference in their mean values hence different according to the type of industry.

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