CORPORATE SOCIAL RESPONSIBILITY IN SMALL MEDIUM ENTERPRISES: A SCOPING LITERATURE REVIEW

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Abstract

CSR has become an important issue in business practices in various sectors, including in Small and Medium Enterprises (SMEs). SMEs have a crucial role in the economy, due to their contribution in creating jobs, local economic growth, and poverty reduction. However, SMEs are also faced with various challenges, such as limited resources, market access, as well as limitations in the ability to participate in social initiatives so many considerations are given to implementing CSR practices. Therefore, a literature review on CSR in SMEs is needed to provide an up-to-date overview of CSR research in SMEs. The purpose of this literature is to map the study of the concept of CSR in SMEs. To get relevant articles, data collection techniques are used through the Emerald, Springer, and Google Scholar databases by emphasizing keywords according to the research topic. The results of the study show that the implementation of CSR in SMEs can be an effective strategy in improving the welfare of SMEs and surrounding communities. By strengthening SME CSR and facilitating collaboration with various related parties, SMEs can increase their competitiveness, create a wider positive impact, and contribute to sustainable development.

Keywords: Corporate Social Responsibility, Sustainability, SMEs, Scoping Review

1. INTRODUCTION

Corporate Social Responsibility is becoming an increasingly important concept in today's business world, including in the context of Small and Medium Enterprises (SMEs). SMEs significantly affect a country's economic growth and community development. In an increasingly sustainable era, SMEs also face demands to pay attention to their social responsibilities (Perrini 2006). SMEs have a great opportunity to apply CSR principles in their operations. Even though their business

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scale is smaller than large companies, SMEs can contribute to social and environmental development through the steps they can take. This includes reducing negative environmental impacts, prioritizing environmentally friendly product quality, paying attention to workers' rights, and contributing to empowering local communities (Yanez-Araque et al. 2021).

Studies related to CSR in SMEs cover several crucial aspects. The study of CSR in SMEs can provide a deeper understanding of effective CSR practices in the context of SMEs. In many cases, SMEs need financial and human resources (Sarbutts 2003). In addition, studies on CSR in SMEs can help measure the real impact generated by these CSR practices (Perrini et al. 2007). SMEs committed to social responsibility need to know whether their efforts deliver the expected benefits for society, the environment, and their business. What is no less important is that studies related to CSR in SMEs can provide insight into the inhibiting and supporting factors in implementing CSR at the SME level. This helps identify SMEs' challenges and develop appropriate strategies to address these barriers. Studies related to CSR practices in SMEs can also reveal the factors that influence the motivation of SMEs to engage in CSR practices so that they can assist in designing policies and programs that encourage the active participation of SMEs in social and environmental efforts.

This study aims to map the body of knowledge on CSR in SMEs. The development of corporate social responsibility and sustainability were the main topics of the previous scoping literature review study. In contrast, this research review focuses on the connection between sustainability and CSR in SMEs. This literature study is anticipated to advance knowledge of SMEs' CSR implementation, methods, and underlying drivers.

2. LITERATURE REVIEW
2.1 Social Capital Theory
Integrating social capital theory in CSR in SMEs is a very relevant approach. Social capital theory refers to the network of relationships, social norms, and resources that an individual or organization can mobilize through social interactions. In the context of CSR in SMEs, social capital theory can be applied as in terms of business networks, trust, interdependence, social norms, and support from local communities, which can be important resources in supporting, developing and strengthening CSR practices among SMEs (Perrini 2006). There are several main principles in this theory:

1. Business Networks and Collaboration: SMEs can leverage business networks and partnerships with stakeholders, such as local communities, suppliers and business partners, to expand the positive impact of CSR.
2. Engagement in Local Communities: SMEs that are actively involved in their local communities will have greater access to social capital, which can be used to support relevant CSR initiatives.
3. Social Norms: This theory assumes that strong social norms within local communities can motivate SMEs to adopt and maintain CSR practices.
4. Trust and Reputation: Social capital can also impact the trust and reputation of SMEs, which is important in developing and maintaining CSR practices.

Key Proposition:
1. SMEs that have strong business networks and solid partnerships with local communities tend to be more successful in adopting and maintaining sustainable CSR practices.
2. Social norms that support CSR practices will motivate SMEs to follow them.
3. Social capital can contribute to improving the reputation and trustworthiness of SMEs, which in turn can influence their CSR performance.

This theory's implications and recommendations can help SMEs better understand the potential resources available through social capital in supporting their CSR practices. The implication of this theory is that SMEs need to invest in building and maintaining strong relationships with various stakeholders and local communities to improve their CSR practices. Apart from that, this theory can also provide guidance for researchers to identify key factors that influence CSR practices in SMEs.

2.2 Corporate Social Responsibility

The concept of corporate social responsibility, or CSR as it is more often known, has undergone numerous variations. One of the modifications is the emphasis placed on its application, as the search conducted by (Moura-Leite and Padgett 2011). Stakeholder response was added to the initial primary focus, which was previously restricted to corporate responsibility and doing good things for the community to spice up the discussion of CSR. Matten and Moon (Matten and Moon 2008) proposed both explicit and implicit CSR ideas. The idea of CSR is expressly outlined in company policies. While CSR is codified using the company's assumption as an institutional framework, it typically tends to be tacit.

Carroll (1999) discovered at the commencement of the debate related to CSR that social responsibility in a business is a societal obligation in terms of economics, ethics, law, and discretionary (philanthropy). Then, Carroll (1999) discussed the four tiers of social responsibility: economics, law, ethics, and philanthropy. A company's social responsibility must be considered in economics and the established regulations. The business can decide how ethics and attitudes should be seen once the legal guidelines have been established. Additionally, the numerous morals and behaviors that the business adopts to be a decent citizen of society point to a philanthropic duty to raise everyone else's standard of living.

According to Jakobsson et al. (2017), there are various prerequisites for corporate social responsibility performance, including (1) evaluating social responsibility inside the organization; (2) identifying social issues that require attention; and (3) choosing a philosophy. These essential components are presented to offer a theoretical foundation that can help the numerous literature definitions. In order to gain an advantage over rivals, enhance performance, and generate social value for the business, the business produces CSR that combines social, environmental, and economic advantages (Porter and Kramer 2006). According to McWilliams and Siegel (2000) explanation, CSR is now more about the traits of an integrated CSR model that complies with the many requirements needed. Additionally, opinions about the company's long-term success and the value it can currently create are obtained by engaging in corporate responsibility activities that benefit stakeholders and the environment (Burke and Logsdon 1996; Hung Chen and Wongsurawat 2011; Freeman and McVea 2005).

2.3 Corporate Sustainability

According to Brundtland (1987) studies, corporate sustainability (CS) is a multifaceted approach to sustainable development. The triple bottom line refers to the economic, social, and environmental dimensions of a company's activities, both in
theory and management (Antolín-López et al. 2016). Schaltegger et al. (2006) define CS as a strategy with multiple dimensions, including economic, social, and environmental. According to Freeman and McVea (2005), stakeholders (consumers, investors, researchers, the government, and society) combine a company's financial performance with its social and environmental performance. Each business has a unique idea of maintaining profitability as a competitive advantage (Baumgartner 2014). The existence of three characteristics, namely economic, social, and environmental, can be used to measure the sustainability of this company in general (Goyal et al. 2013). According to the literature review on corporate sustainability, corporate sustainability is not tied to the company's non-financial performance but rather to its performance, particularly its financial performance.

2.4 Small and Medium Enterprises (SMEs)

Small and medium-sized businesses (SMEs) are the primary engine of economic expansion (Santos 2011). A set of businesses known as SMEs greatly range in size and organizational structure, with the majority being micro-businesses with less than 200 employees (Murillo and Lozano 2006). SMEs are more oriented towards solving everyday problems, informal relationships, and, more important, communication or interpersonal relationships. There are even things of great concern, namely the relationship with the environment or the SME community. An environment where SMEs act as donors/benefactors. This shows that SMEs must be distinct from CSR practices.

Furthermore Murillo and Lozano (2006) stated that due to the dependence of SMEs on a network of interpersonal relationships, SMEs tend to be attracted to investment in social capital. Involvement in personal relationships generates trust; with this trust, the sustainability of SMEs can be guaranteed. SMEs' increased social engagement will boost their reputation, professional image, confidence, and loyalty. As a result, there will be a steady workforce, better communication with financial institutions, and more SMEs in the commercial world.

3. RESEARCH METHODS

For data gathering in this study, theoretical studies, and techniques applied in literary studies, are used. This method involves reading, studying, and synthesizing scientific literature relevant to the research topic (Surahman et al. 2020). In theoretical studies, researchers will collect information sources such as books, journals, articles, and other documents that are relevant to the research topic. Then the researcher will read and study the material to understand these theories' concepts, arguments, and frameworks. After collecting and studying the relevant literature, the researcher will synthesize or critically analyze the information. A theoretical review aims to gain an in-depth understanding of existing theories, identify knowledge gaps, and develop new concepts or extend existing understandings (Karuru 2013).

Researchers from various campuses in Indonesia analyzed numerous scientific journals from online platforms like Emerald, Insight, Springer, and Google Scholar for this study. Based on terms like CSR, Sustainability, and SMEs, researchers discovered literature. Researchers found 11,412 articles in Springer and 16,300 articles in Google Scholar. In the keyword motivation of CSR in SMEs, 355 articles were obtained; then, with the keyword sustainability of SMEs, there were 889 articles. The timeframe specified in the search for Library references ranges from 2000-2022. After searching
for literature that matched the keywords, using the "find" tool and retyping each keyword, the researcher looked for descriptions of research results and theories contained in journals and reference books. This led to the discovery of multiple sentences that represented research outcomes. That body of literature is consulted as a source for publications that contain hypotheses, justifications, and research findings following the given keywords.

4. RESULTS AND DISCUSSION

4.1 Results

Sarbutts (2003) revealed that two concepts are the beginning of a practical approach to implementing CSR in SMEs. The first is how the social responsibility given by SMEs is reported and perceived externally. The second is to what extent the social responsibility SMEs want to implement becomes a true reflection of their behaviour and values. SMEs are more ready to turn the personification of reputation to their advantage. Reputation consistency over time is maintained so as not to fail or falter. This is because the reality gap can turn a good reputation owned by SMEs into hatred which can be poison for the sustainability of SMEs, even though the previous experience has always been sweet and of good quality. CSR practices in SMEs must at least consider the resources needed. This is because the amount of resources SMEs are willing to devote to investing in intangible assets such as reputation is poorly defined. However, beyond that, flatter and potentially quicker SMEs without analysts and shareholders who are often fixated on price or earnings ratios are willing to gamble to take advantage of the fact that society respects honesty, integrity and the ability to apologize for more.

Perrini (2006) revealed that the theory of CSR in the eyes of large companies and SMEs has a different point of view. In large companies, CSR practices are based on stakeholder theory, while in SMEs, CSR practices are based on the concept of social capital. Three reasons support this statement. First, some stakeholders have stronger relationships with SMEs than with large companies. These stakeholders are embedded in the social capital of SMEs. Second, SMEs are more willing to acquire intangible assets in the form of reputation, trust, norms and networks which are the basis of the long-term performance of SMEs. These resources and competencies are often embedded in SME social capital. The third reason is that SMEs can exploit local involvement more than large companies. Local engagement is a direct effect of SME social capital. Two types of SMEs are most likely to adopt CSR—first, SMEs whose ownership is oriented towards increasing profitability margins. Second, SMEs are involved in the economic and social context, namely relations with stakeholders (especially employees and local communities).

Yanez-Araque et al. (2021) revealed that the familial nature of SMEs is a determining factor in obtaining financial results from CSR practices. CSR practices positively impact SMEs’ economic performance, and the business typology (family business compared to non-family business) has a moderate effect. CSR significantly impacts economic performance in family companies and obtains a larger variance than in non-family companies. In addition, CSR measurement through the Tri Bottom Line follows the family and non-family SMEs. CSR can be considered a fashion composite in economic, social and environmental dimensions. All of this is linked to the Sustainable Development Goals, which are designed to address economic, social and environmental challenges.
Murillo and Lozano (2006) point to the fact that SMEs find it difficult to understand CSR; SMEs need to go a long way to learn how to inform CSR practices to internal and external stakeholders. The results of interviews with 4 SMEs show that the most important criterion that legitimizes CSR practices is internal stakeholders, improving relations between employees and SMEs, while relations with external stakeholders are the second priority. This is inseparable from the fact that the values of SME founders/owners are very important when deciding on social and environmental sustainability strategies. Managers state that CSR practices aim to remain in a good position in the market. Managers identify that customers are the most demanding external stakeholders for CSR. The customer is the tip of improving the work climate or competitive differentiation. The results show that SMEs maintain CSR practices, increased competitiveness, and financial results.

Ratnawati (2017) revealed that CSR practices help encourage SMEs to create product innovations, production processes, and business network innovations. SME innovation will support competitive advantage if this is done regularly. Partnership programs in the form of CSR between the government or the private sector and SMEs in providing market-oriented capital, environment-oriented capital, employee-oriented capital, and community-oriented capital can create innovation for SMEs. The innovation process by SMEs will impact competitive advantage, which can be seen in greater efficiency, lower costs, improved quality, and greater market share and profits. In this case, SMEs are objects that receive CSR program assistance.

Perrini et al. (2007) provide a comparative description of the CSR strategy of SMEs and large companies. SMEs do not explicitly adopt CSR strategies to manage their impact on the surrounding environment and create sustainability for SMEs and communities. However, in employee relations, SMEs routinely implement CSR strategies through employee briefings, training programs, and enabling employees to manage flexible working hours. On the other hand, SMEs like this do not apply managerial practices in a structured manner to increase SMEs' attractiveness in the external market. This makes SMEs lose the opportunity to make the company attractive to external stakeholders. SME owners must realize that good relations with employees as a form of SME CSR need to be publicized as part of the SME CSR strategy. This is because SMEs often employ the majority of the population in their area to help strengthen community welfare. In addition, SMEs are expanding their CSR strategies by paying attention to the supply chain. For SMEs, a good relationship between managers and suppliers and customers will encourage the integration of CSR strategies. However, another phenomenon in the spotlight is that large companies have many resources that can be invested in local communities. The CSR strategy undertaken is to commit to becoming a sponsor or donating.

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Santos (2011) revealed that CSR practices originate from the logic of management efficiency, increased employee motivation, reduced costs, and better client relations. SMEs are very sensitive to the continuity of their business, considering that SMEs are directly integrated into the production chain. Therefore, SMEs consider it important that the client's perception states that SMEs are businesses that pay attention to CSR. The results show that SMEs link the internal social dimension to their CSR practices. A more detailed analysis reveals that the workplace's health, safety and cleanliness and human resource management are of great concern within this scope. Other SME CSR practices include the concentration of flexible working hours, provision of canteens, social security plans, and corporate loan schemes. From the point of view of the external social dimension, the most common practices of SMEs are giving donations, being cultural and environmental sponsors, support for charity campaigns and social marketing.

Nevertheless, one thing that is rarely done is hiring people with disabilities, those with prison records and drug addicts. From an environmental point of view, SME CSR practices are always trying to reduce the impact of pollution and waste. This analysis concludes that SMEs have several motivations for CSR practices. The first is increased business performance from reducing costs or higher sales, and the second is increased employee satisfaction. Third, consumer and client loyalty. And finally, the principles of ethics and citizenship.
4.2 Discussion

CSR practices have become an important aspect of SME operations. Several factors strengthen CSR practices in SMEs. First, awareness about the importance of CSR has been among SMEs. How is CSR practice implemented and reported, and how is CSR implemented? Become a complete picture of the values embedded in SMEs' CSR practices (Sarbutts, 2003). More and more business owners realize that CSR practices can provide long-term benefits. They recognize that carrying out social and environmental activities responsibility can improve the reputation of SMEs, strengthen relationships with customers, employees and business partners, and expand market share.

Second, Santos (2011), Perrini et al. (2007), Murillo and Lozano (2006) states that consumers are the driving force behind SMEs' CSR strategy. Society is now more sensitive to the sustainability and social impact of companies. Consumers often prefer to do business with SMEs that are committed to CSR. This awareness has encouraged SMEs to adopt CSR practices to remain relevant and meet consumer expectations.

Third, (Murillo and Lozano 2006; Perrini 2006; Ratnawati 2017; Santos 2011) stated that another factor that strengthens CSR practices in SMEs is employees. Employees are the most important legitimacy in CSR practices in SMEs. The level of employee satisfaction is highly considered, starting from the side of self-development through training, safety, and health at work. By ensuring employee satisfaction, the productivity of SMEs will increase. Therefore SMEs need to prioritize employees in implementing their CSR.

Overall, the above factors, namely awareness, consumer demands, and employee satisfaction, have strengthened CSR practices in SMEs. However, resource availability also needs to be considered in SMEs' CSR practices (Sarbutts 2003). Because it is different from large companies, SMEs often need more resources, both human and financial resources. Despite these limitations, with more and more SMEs adopting CSR practices, positive changes are expected in the business environment and society. In addition, by implementing CSR, the reputation and sustainability of SMEs will be guaranteed. Sarbutts (2003) states that SMEs will build a good reputation through CSR practices. Furthermore, Santos (2011) emphasized that CSR will bring many benefits, including a good reputation among businesses. Increasing the reputation of SMEs in the business community will be able to guarantee the existence of these SMEs (Santos 2011).

By adopting sustainable CSR practices, SMEs can create added value for their business. For example, by improving working conditions, they can motivate more productive and loyal employees, which in turn can increase the productivity and profitability of SMEs. Good CSR practices also mean that SMEs make a positive contribution to the communities around them. This could be employment, training, support for local social programs, or support for the environment. SMEs that have strong CSR practices can develop a good reputation in the eyes of customers, suppliers and business partners. This can expand their market share and enable them to compete better in an increasingly competitive market. Through CSR practices, SMEs can build strong relationships with a variety of stakeholders, including local communities, governments, and non-profit organizations. This opens the door to fruitful collaborations that can improve their CSR effectiveness.

SMEs that focus on CSR not only create a positive impact on their own business but also on society and the wider environment. This can strengthen relationships with consumers and communities, which will ultimately create greater
support for their business. Sustainable CSR practices contribute to sustainable development through preserving natural resources, creating decent jobs, and improving the quality of life of local communities. Thus, effective CSR implementation among SMEs not only benefits the business itself but also the community and surrounding environment. This creates a more sustainable environment, builds strong relationships with stakeholders, and increases the competitiveness of SMEs, all of which can contribute to long-term growth and prosperity. Therefore, CSR in SMEs is not only an ethical responsibility, but also a smart business strategy.

5. CONCLUSION, LIMITATIONS, AND SUGGESTION

CSR is important in Small and Medium Enterprises (MSMEs). Through CSR initiatives, SMEs can significantly contribute to social, economic and environmental development. By engaging in CSR activities, SMEs can strengthen customer relationships and gain greater trust and loyalty. Even though there are challenges in implementing CSR in SMEs, collaboration between SMEs, the government, and cooperation between institutions can be a solution to overcome these obstacles. Financial support and training in building managerial capacity are key to making CSR programs in SMEs more effective and sustainable. Thus, CSR in SMEs can create broad positive impacts both for SMEs themselves and the welfare of society as a whole.

Our understanding of how CSR is used in SMEs is expected to be deepened by the results of this literature research, which will also serve as a resource for other SMEs. The outcomes of this literature study should also give policymakers a better understanding so they may create more suitable policies. This research is limited to the relationship between SMEs and CSR. Therefore, it cannot be generalized to all types of companies. Therefore, further research can examine CSR in SMEs with different theoretical perspectives.

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