

Corporate Social Responsibility Practices among Small and Medium Enterprises in Sri Lanka

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Introduction

Over the decades, the concept Corporate Social Responsibility (CSR) has continued to grow in importance and significance and representing an important topic for research (Young and Thyl, 2009). Unfortunately, CSR initiatives, so far, have tended to focus mainly on large and multinational companies. Traditional CSR has been perceived as a “luxury good” that only large companies could allow in (Spence et. al., 2003). As a result, businesses have underestimated the impact of Small and Medium Enterprises (SMEs) on society.

However, more recent studies challenge traditional CSR concepts and define how such activities may not be a business threat and cost burden for SMEs, rather an opportunity to gain competitive advantage (Tilley et. al., 2003). SMEs form the vast majority of businesses in most countries and are crucial for the following reasons: the dynamic and stability of the economy, the size/composition and quality of employment, the quality of life in general, and the socio-political structure of an economy (Nooteboom, 1988).

Small and medium-sized businesses play a vital role in the Sri Lankan economy. SMEs are makeup large part of Sri Lankan

economy. These are found in all sectors of the economy, primary, secondary and tertiary and provide employment for persons of different skills, skilled, semi-skilled, and unskilled (Central Bank Report, 2013).

A study on CSR and effectiveness of SMEs in Nigeria research recognize the overriding fact that there is growing concern for corporate social responsibility activities in the SMEs. It is clearly revealed that many SMEs engage in some kind of silent social responsibility, those that attract the attention of participating firms are business ethics, customer and urban affairs. However, majority of the responding firms reported their least involvement in the environmental affairs (Lawal and Sulaimon, 2007). Memdani (2008) studied that corporate social responsibility is not just the responsibility of big giants but also of small and medium enterprises too. Large number of SMEs has started moving ahead towards achievement of this goal and they are benefited also

Due to relatively little attention being given to CSR in relation to SMEs until recent years, particularly in Sri Lanka, investigates CSR practices from the perspective of SMEs in Sri Lanka. Major reason to undertake this research is to fill the gap of findings among Sri Lankan small and medium enterprises. The researcher is interested in understanding CSR practices in Sri Lankan SMEs which is not researched adequately. Therefore the research question in this study is what are the CSR practices among SMEs in Sri Lanka?

Objectives

The primary objective of this study is to find out the CSR practices among SMEs in Sri Lanka and secondary objective for the study is to identify the barriers/limitations in implementing CSR by SMEs.

Methodology

The study used primary data to identify CSR practices among SMEs in Sri Lanka. Data were collected through a questionnaire and

interviews for owners/managers of SMEs to identify familiarity with the term CSR, regularity of CSR, CSR budget in SMEs, motivations for CSR participation and area of doing CSR. According to the Sweeny (2009) area of doing CSR was further defined by using following dimensions called environment protection, customer care, employee care, community care (Appendix -Table 01).

The target population of this research was small and medium enterprises from service sector in Avissawella Divisional Council of Sri Lanka. Service sector includes wholesale and retail trade, hotels and restaurants, transport and communication, real estate and other services (saloon, tuition class, audit firm etc.) In this study, the definition of Sri Lankan SMEs was adopted from the Department of Census and Statistics which includes businesses having 05 to 149 employees. (05 - 29 employees; small sized firms and 30-149 employees; medium sized firms). This study selected 20 service sector SMEs from Avissawella Divisional Council in Sri Lanka. We filled questionnaires to collect data from these selected 20 service sector SMEs and interviewed owners/managers of SMEs for more details/probing by using above described stratified sampling method. The generation of final output of this research was a qualitative research. The data was analyzed using descriptive method.

Results and Discussion

The study on CSR practices among SMEs from Sri Lankan context is analyzed under each objective. Primary objective examined the CSR practices among SMEs in Sri Lanka. Preliminary recognized the knowledge and attitudes of SME owners/managers in relation to their CSR. It was found that SMEs are aware of their social responsibilities. 55% answered “yes” to the question “Are you familiar with the term Corporate Social Responsibility?” But most of small firms did not know the technical term “Corporate Social Responsibility”, but they are already involving with CSR activities.

CSR was a multi-dimensional concept in the SME sector. The most popular understandings of CSR were considered as a religious activity and then operating the business ethically. SMEs basic requirement for the CSR was doing religious activities and they think that it helps for their next life and following by the increase business reputation of their firms. SME owners/managers are more preferred to participate in CSR activities that help for people who need other's help. (Example: people who need money for cancer treatment). The reason for SMEs always doing CSR is to achieve their religious purposes.

When considering the dimensions of CSR, 85% of SMEs most common environmental activity was protection of natural environment (Appendix - Figure 01). All customer activities received quite a high amount of firms indicating involvement to a great extent. Commitment to provide value to customers was 75% and timely resolving customer complaints were 90% (Appendix -Figure 02). All SMEs were adapted activities which are benefits to the employee in the firm. Although they did not have thoroughly aware of the word CSR but they have adapted some CSR activities in their organization to facilitate their employees. In here 85% of SMEs most common employee care activity was commitment to health and safety of employees (Appendix -Figure 03). 95% of SMEs main community care was donations to charity (Appendix- Figure 04).

Secondary Objective identified the barriers/limitations in implementing CSR by SMEs. It was recognized time and money as the major constraints of CSR for SMEs. SMEs believe education about CSR would facilitate socially responsible behavior in SMEs.

Conclusion

This study addressed the research problem related to corporate social responsibility in SMEs. Two research objectives were used to investigate the research problem. The study used primary data to

identify CSR practices among SMEs in Sri Lanka. Data were collected through a 20 questionnaires and further interviews for owners/managers of SMEs.

55% SMEs were aware of their social responsibilities. The collected data revealed that SMEs have a positive perception of the social responsibilities. Most of small firms did not know the technical term “Corporate Social Responsibility”, but they were already done CSR activities. CSR was a multi-dimensional concept in the SME sector. SMEs were doing CSR mainly as a religious activity.

The most common environmental activity was protection of natural environment. All customer activities (commitment to provide value to customers, resolves complaints) received quite a high amount of firms indicating involvement to a great extent. All SMEs were adapted activities which are benefits to the employee in the firm. Donations to charity were the main community care. Study identified time and money as the major constraints of social involvement.

SMEs should be more educated about socially responsible activities, and its benefits. And also SMEs should make use good of the natural environment protection campaigns, charitable donations involvements and religious/cultural sponsorships. The strongest emphasis for owners/managers should be placed on providing a supporting and safely environment for employees, as determined by the employee being the most descriptive for CSR. This could include offering employees training and development programs.

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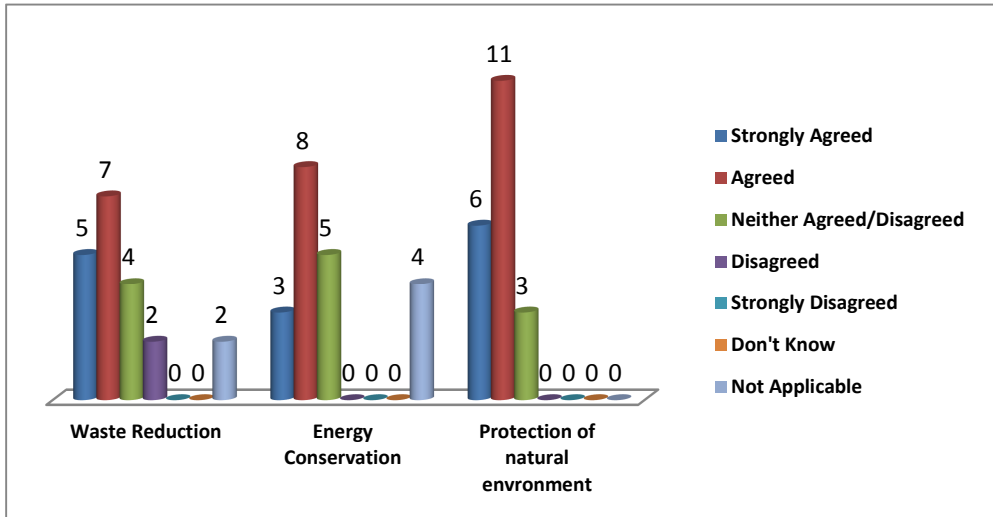
Appendix

Table 1: Dimension measures of CSR

Dimension	Measurements
Environmental Protection	Waste reduction Energy conservation Protection of natural environment
Customer Care	Timely resolving of customer complaints Commitment to provide value
Employee Care	Development of real skill and long term career Consultation of employees on their important issues Commitment to health and safety of employees
Community Care	Donations to charity Local job opportunities for the community

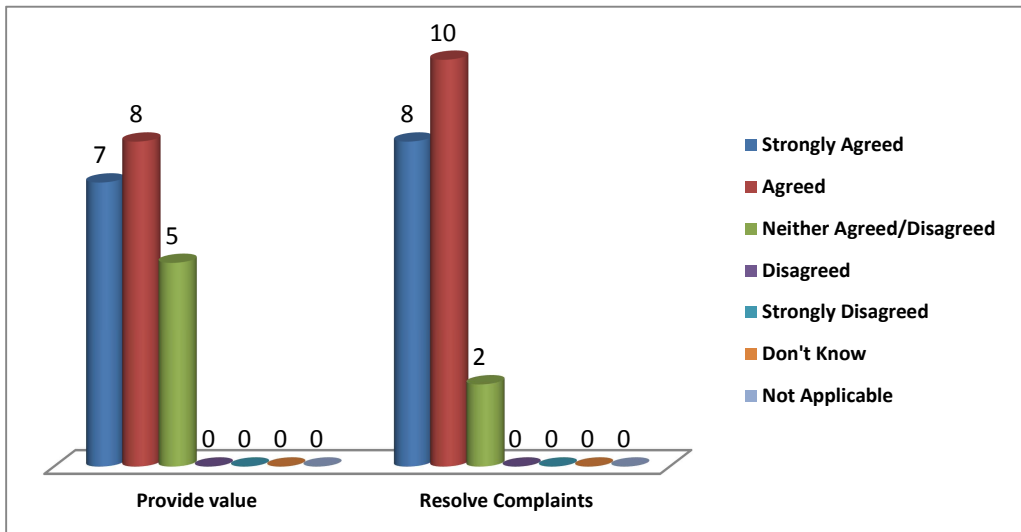
Source: Sweeny, 2009

Figure 1: SMEs involvement for environmental protection



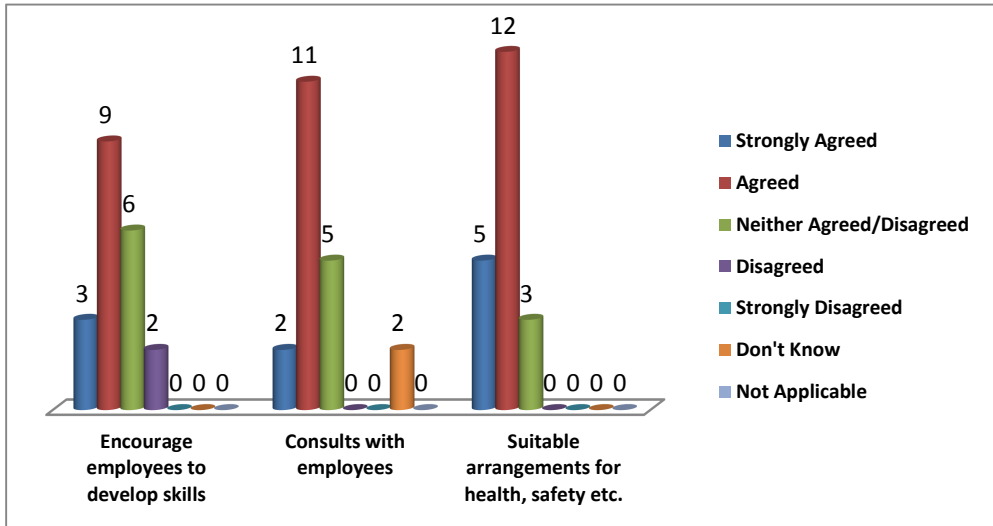
Source: Field Survey

Figure 2: SMEs involvement for customer care



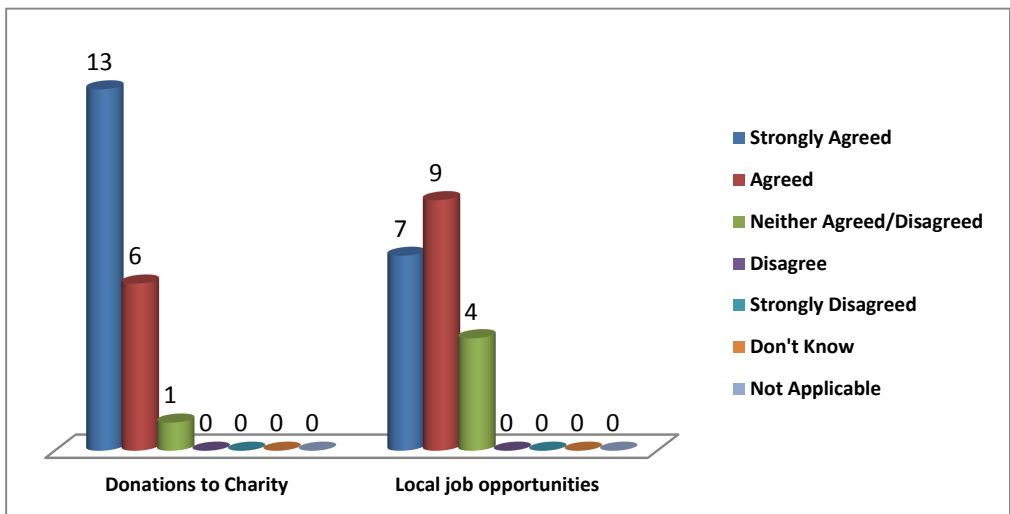
Source: Field Survey

Figure 3: SMEs involvement for employee care



Source: Field Survey

Figure 4: SMEs involvement for community care



Source: Field Survey