

Adoption of Corporate Social Responsibility: Empirical Evidence from Malaysian SMEs

THAMIL DURAI CHELLIAH
MAHENDRA KUMAR CHELLIAH
Universiti Tunku Abdul Rahman

MATHIVANNAN JAGANATHAN
Universiti Utara Malaysia

ABSTRACT

In the new global economy, corporate social responsibility has become a central issue of most of the government but a number of cases of business owners being socially irresponsible are dramatically increasing. Therefore, this study has thoroughly examined most contributing factor of corporate social responsibility adoption among SMEs. It is undeniable, that the contributions of SMEs toward the corporate social responsibility are increasing in the society along with the number of SMEs gradually increase in the market and play a significant role in the corporate social responsibility to improve the economic and social development of the nation. The purpose of this research is to examine further in-depth the relevant factors that influence the managers of SMEs in the adoption of corporate social responsibility practices. Quantitative data were collected using the self-administered questionnaire that was distributed to a sample of 384 respondents. In this study, Pearson Correlation Analysis and Multiple Linear Regressions were used to test the importance of all of the four independent variables which are profit maximization, philanthropy responsibility, external pressure, and moral responsibility. The results indicated that all of the tested motivational factors that influence adoption of corporate social responsibility have significant association with corporate social responsibility of SMEs. Therefore, it can be concluded that the result may provide some insight to business leaders with more practical perspectives about motivational factors of corporate social responsibility in Malaysia.

Keywords: *Profit maximization, philanthropy responsibility, external pressure, moral responsibility, SME.*

INTRODUCTION

According to the research conducted by Jenkins (2001), business owners and managers of SMEs believe that their personalities are able to influence the company's culture as CSR has been seen as an important component guiding them to be successful companies. Thus, it is crucial to their perspectives towards CSR and can be a great motivation of ethics and standards in the companies. Moreover, treating the stakeholders of the company ethically or in a responsible manner can be a manner of CSR. Corporate Social Responsibility (CSR) has been seen as competitive advantage of companies if they exercise their duties or responsibilities towards the society (Eua-anant, Ayuwat & Promphakping, 2011).

There is growing body of literature recognizes number of factors that may drive the motivation to conduct the CSR activities for the SMEs. In the current market, many researchers found that a CSR practice is very important and essential to the current versatile economic environment and stakeholders. It means that many companies, especially the SMEs are starting to perform CSR practices and operate their business in an ethical and legal

way to meet social demand. In Malaysian perspectives, numerous Malaysian SMEs is practicing CSR in various ways without knowing that they are engaging themselves with CSR (Nejati & Amran 2009). Although SMEs vary size, sector, industry and profit in Malaysia, most of the SMEs in Malaysia certainly not fail to perform their corporate social responsibility. Historically, SMEs in Malaysia considered as a backbone of industrialization of Malaysia since independence including rural and urban based SMEs (Osman, 2007). It can be clearly seen through continuous growth of gross domestic product of both type of SMEs in Malaysia.

Moreover, the companies must concern about the action of getting employees involved in CSR activities, making connection with the communities and measuring the future intangible benefits which CSR could bring to a company (Sas & Liedekerke, 2007). Based on McAdam and Leonard (2003), CSR is an ethical anchor whereas the approach to address the need for an ethical anchor is to consider the requirement to satisfy the stakeholder. The stakeholders can be internal organizational groups such as employees, managers and shareholders and the external groups can be the society and pressure groups (Abdulsalam & Seyi, 2013). According to Eua-anant et.al (2011), the degree of CSR adoption is greatly influenced by the participation and the perception of the employees towards corporate image to the wider society.

According to Jenkins (2001), CSR has traditionally been the sphere area of the corporate sector but recognition of the growing of the (Nejati & Amran, 2009) SMEs sector has led to an emphasis on its social and environmental impact. The SMEs owners are aware of the importance of CSR practice which not only has a huge impact on environmental and stakeholder but also can help a company to gain the reputation from the customers in order to gain the company's goodwill as well as to increase the profit and economic value of the company (Macgregor & Fantrodona, 2011). Since the CSR practices show that is one of the survival strategies for SMEs companies, therefore, it is essential to find out what are the main factors that cause the SMEs to participate in the CSR activities.

Nowadays, the contributions of SMEs toward the CSR are increasing in the society along with the gradually growing number of SMEs in this market, which contributions include the generation of employment opportunities and income for regional communities. Hence, SMEs play a significant role in the CSR to improve the economic and social development of nations (Mankelow & Quazi, 2006). Along with this growth, the number of cases of business owners being socially irresponsible is dramatically increasing. The issue of CSR has become largely recognized by people around the world. Consumers nowadays are much more concerned about SMEs inclination towards CSR activity and information (Uthamaputhran, Ahmad, Jaganathan, & Hee, 2016). Alexander and Nicholls (2006) and Rahizah, Farah & Kasmah (2011) indicated that consumers are more concerned about authentic and reliable information about the background of the product that they purchase. Their concerns subsequently affect their purchasing behaviour.

The naive general perception of Malaysian society is that when a company/business enterprise donates or does charity it is deemed to be recognized and acknowledged as CSR prudent. Dr. John Raslan, as cited by ACCA Malaysia (2006), illustrated that most Malaysians still equate CSR as donation for the charity purpose. They are unable to identify other components which constitute good CSR such as commitment to obey the law and basic ethical standards, improving community well-being, being responsible for the consequences of its actions and contributing and sustaining business as a corporate citizen (Tay, 2005). Besides, Gugler & Shi (2007) and Eua-anant et al. (2011) argued that the western societies

(developed country) have a better understanding of the concept of CSR and are more willing to participate. But, developing countries such as Malaysia, Thailand and China have least knowledge and this leads them to be least concerned about the issue of CSR. Thus, implementation of CSR is highly influenced by motivational factors.

A decade ago, the toxic baby milk scandal in China, once again, raised the awareness of corporate social responsibility. Chinese Health Ministry authorities announced that over 6200 babies had fallen ill, many developing kidney stones, from drinking milk made from toxic powder. At least three had died, and more than 50 remain in serious condition. Most of the victims come from middle income or even poor family which unable to support the huge medical fees. However, the intervention of the China government seems to be too late as the incident has already occurred (Ramzy & Lin, 2008).

In the past, the CSR agenda has almost entirely focused on larger enterprise, but currently the implementation of the CSR also emphasizes on SMEs. Nowadays, most of the countries' core economy is based on SMEs, making up more than 50 percent of contributions toward the countries' economy. Thus, it is a strong evidence that the SMEs takes a crucial part in CSR due to their large coverage in the economy. In general, there might be possibilities and challenges for SMEs to engage in the CSR. Still, it is significant and even obligatory for SMEs to put into action the CSR practices that consistent with their business strategy (Fox, 2005).

From a great number of researches, it can be understood that SMEs play a crucial role in the implementation of CSR and the CSR is extremely important for everyone. Thus, the purpose of this research is to study what are the factors encouraging the SMEs managers to implement the CSR. Moreover, those studies identify factors that can be used to enhance the implementation of CSR in the current market. Nowadays, the organizations start to pay attention on corporate social responsibility (CSR). Due to the growing the concern of CSR in SMEs, this research is to study the factors that influence SMEs towards adoption of CSR. This research is to understand more in-depth the relevant factors that influence the managers of SME which are profit maximization, philanthropy responsibility, external pressure and moral responsibility.

LITERATURE REVIEW

Corporate Social Responsibility and SMEs

The term corporate social responsibility (CSR) was originally founded by E. Merrick Dodd in 1932. The concept of corporate social responsibility is defined as companies, like individuals, should strive to be good corporate citizens by contributing to the community to a greater extent than is generally required and the corporation as an economic institution has a social service as well as a profit marking function. Many companies agreed that CSR is beneficial to them in many ways in order to achieve the effectiveness of the organization especially for SME's companies since SME's play an important role in the current economic environment (Kercher, 2006).

Corporate social responsibility (CSR) can be defined as a socially responsive behaviour derived from normative or ethical considerations. In addition, CSR helps a company to manage corporate image and other business achievements. In general, CSR comes up is mainly because of some phenomena in organizations and their integrative effect on other disciplines. In the context of Malaysia, CSR also relates to religious contexts. For example, Kamil, Sulaiman, Selladurai, & Khalid (2015) point out that Islamic social

responsibility also vital in the organization to bring mutual respect, mutual coexistence and development of mankind.

Furthermore, some organizations perceived that CSR is a peripheral issue, whereas others have recognized that CSR is a specific issue. However, CSR is not simply philanthropy; it is a crucial for every business for business achievement and better development of communities (McAdam & Leonard, 2003). Besides, Murillo and Lozano (2006) found that the role play of implementation of CSR programs reveals that SMEs still have a long way to go onwards learning how to inform both internal and external stakeholders of their best practices. Moreover, they can show the interesting links that SMEs establish between responsible practices, improved competitiveness and economic results. Furthermore, based on Wierzbicka (2008), CSR practice is developing dynamically, which is reflected in strategic implementation of CSR. Besides, implementation of CSR principle could result in a positive effect on the competitiveness of SMEs factor. It allows getting a better product because customers are more satisfied and trustworthy.

A major impact on behavioural change within companies is important. Implementation of CSR is one of the effective tools to influence improved employee's morale, productivity and loyalty reflected in their tasks. Therefore, companies could easily achieve their organizational goal. Second, companies are enhanced by operational efficiencies and cost saving through recycling, smart waste-disposal procedures, efficient resource usage and effective human resources management. Third, supply chain relationship through well understood codes of conduct and standards is effective and efficient. In addition, CSR can be used to improve access to capital through transparency and effective management of social and environmental issues (Tolhurst, 2007) & (Ali, Rehman, Ali, Yousaf & Zia, 2010).

In addition, in the studies that was conducted by Vanhamme and Grobbsen (2004) & Lai, Chiu, Yang & Pai (2010), the CSR practice had reduced the risk of brand damage in a product-harm crisis, and consumers tend to hold the perception that a company is less responsible for a crisis when it possesses a strong CSR reputation. At the same time, deteriorated reputation can impact on the company's profits, especially if it fails or is slow to respond quickly to the crisis, then it may rely on the CSR practices and activities. Therefore, CSR could establish important trust and understanding of the product with each customer.

The benefits of implementation of CSR as summarized by Nilson and Rahmani (2008) are it enhances reputation, enhances employee satisfaction and loyalty and product life cycles, improves risk management due to a wider audience, innovation improvements, higher probability to attract investments, supports marketing objectives, contributes to general business goals, reduces operating costs, reduces regulatory oversight, and builds strong community relationship.

Relationship between Profit Maximization and Corporate Social Responsibility of SMEs

According to Jenkins (2004b) & Chatterji & Richman (2008), the stakeholders are becoming more concerned to invest or work with those companies that comply with CSR. Hence, most of the managers will participate in CSR to attract more stakeholders that can help them to maintain or even improve the financial performance and the profitability of a company, in order to get a win-win situation. Thus, it can be proven that the actual CSR can only be carried out if a company earns profit from the performance for CSR. Furthermore, it also can conclude that there is positive relationship between CSR and corporate financial performance (Maimunah, 2009).

Nielsen and Thomsen (2009) revealed that every owner of a company concern about the profit of their company, and definitely, they care about what they should pay and spend for CSR activities because they are not a philanthropic association. As a manager, their responsibility is operating the business for making a profit (Garriga & Mele, 2004 & Branco & Rodrigues, 2007). As reported by Wierzbicka (2008) & Murillo and Martinek (2009), CSR is defined by way of generating sustainable profit and establishing relationships with all stakeholders that benefit the company. The CSR of a company that is highlighted company also will participate in charity work and philanthropy while the firm generating economic profit.

According to the research conducted by Vanhamme and Grobben (2009), implementation of CSR is an effective tool in countering the negative publicity in order to gain and enhance the reputation of the organization as well as increase the profit of the organization. In addition, a company which has been damaged by the negative publicity, must engage in an effective way of communication to protect or restore their reputation immediately by doing CSR practice. This might help to reduce the risk of company losses and maintain profit maximization in an organization.

Milton Friedman (1970) in arriving upon his finding has criticized CSR as distorting the effective allocation of resources. Friedman has gone further to acknowledge that the corporation is responsible to use the shareholders' funds wisely and in profitable ways. CSR is only worth if it would increase and boost the corporate profitability greater than alternative investment opportunities. In addition, the classical view of the corporate social responsibility is to increase company's profits. Hence, profit maximization is one of the approaches to motivate the managers to conduct the CSR (Sweeney, 2007).

Pearce and Doh (2005) believed that profit maximization is management's only legitimate objective for managers. CSR is a business principle which offers the enduring sustainability of business when profitability and growth of a company are attained. According to Primeaux and Stieber (1994) & Maimunah (2009), whether the company will put into practice an ethical activity depends on its profit maximization because managers need resources to implement ethical actions that offer social benefit. Consequently, profits and ethics are intrinsically related.

On the other hand, SME managers are motivated towards CSR due to the profitability and growth of their businesses. Hence, SME managers perceived the CSR contribution as an expansion of profit-making activities for their companies. In other words, CSR participation merely embarked on by business enterprises with the community stakeholders purely for fulfilling their altruistic motives (Mankelaw & Quazi, 2006) & (Maimunah, 2009). As reported by Spence and Rutherford (2000), it can be identified that is a strong relationship between profit motive and CSR activity through the analysis of respondents' statements. The social and profit maximization perspective gives a stimulating insight to managers to run a business across the ethical and social boundaries.

Hence, based on the review of the past studies, following hypothesis is proposed:

H1: There is a significant relationship between profit maximization and the SME's motivation towards CSR.

Relationship between Philanthropic Responsibility and Corporate Social Responsibility of SMEs

According to Aoki (2004), a company has been reminded again that corporate philanthropy is originally an ascetic practice of charity with inner love from our heart. No people can force any corporations engage in a practice such as altruism. Therefore, if companies think of social responsibility and philanthropy as for profit-making, finally there will be a loss of ethics. Similarly, Jenkins (2004a) suggested that the benefits are 'intangible' or 'soft' and seeks greater proof of hard financial benefits. It can be answered by the difficult questions surrounding how to estimate the benefits of CSR. Thus, the companies can least persuaded by the benefit of charitable or philanthropy CSR.

Based on Mcalister and Ferrell (2002), the strategic philanthropy is significant in the circumstance of social responsibility. Business operation should have more accountabilities for social responsibility rather than the profit and loss statement. Many of those who advocates of CSR are still considering philanthropy as one of the pillars of classical CSR. Thus, many small business entrepreneurs do acknowledge responsibilities in the local community and endorse local philanthropy actions or sponsor local cultural or sports activities (Fassin, 2008). Meanwhile, companies try to engage in philanthropic activities because they are convinced that by doing these kind of actions, they will be able to get a significant advantage in terms of social capital, reputation of the company as well as business development (Zollo, 2004) & (Mohammed, Md & Kazi 2008).

Based on Jamali & Mirshajk (2007) and Visser (2008), those companies in developing countries which give priority of philanthropy are usually still at an early phase of maturity in CSR, sometimes even equating CSR and philanthropy. Whereas, the companies in developed countries are quite common to apply the more embedded approaches of CSR. Thus, following hypothesis is proposed:

H2: There is a significant relationship between philanthropy responsibility and the SME's motivation towards CSR.

Relationship between External Pressure and Corporate Social Responsibility of SMEs

Based on Fox, Ward, and Howard (2002) & Ward, Wilson, Zarsky & Fox (2007), the government plays a crucial role in providing an "enabling environment" for practices of corporate social responsibility (CSR). The "enabling environment" means a policy environment that encourages business activity that minimizes environmental, social costs and impacts while at the same time maintains or maximizes economic gains. Thus, the government also has to implement some policies and set up new rules and regulation to impose pressure on the industries so that they act legally and not against the laws.

Based on Salancik and Pfeffer (1978) (as cited in Aegerter, n.d.), the SME companies depend on the factors in their environment and thus their continued existence depends on their manager's aptitude to fulfil and deal with the stakeholders' requests, essentially those stakeholders whose contribute and support are crucial for the company's perennial life. It is the main pressure for SMEs to engage in CSR's practices to accomplish the requirement of stakeholders.

According to Branco et al. (2007) stakeholders are responsible for the growing CSR awareness and behaviour of corporations. Moreover the social and environmental issues in a company are a voluntary basis interaction among the owners and stakeholders to lead a sustainable business success. Corporate social responsibility is about managing the change in

the company level. It is a social attitude and also an external attitude which a responsibility to the local community outside the company, such as business partners, suppliers, customers, public authorities and stakeholder's non-governmental organizations representing local communities and the environment. Those parties are the pressure of owners to engage in CSR practices to maintain a good relationship with them ("Commission of the European," 2001).

Medhurst (2010) found that one of the main approaches encouraging SMEs participant in CSR is a stakeholder driving approach, used as responses to external pressure such as consumer. In addition, implementation of CSR also increase competitiveness of SMEs by achieving CSR for SMEs and external pressure will be a good awareness to all CSR implementers. Other than that, based on Porter and Kramer (2002), external stakeholders today seek the companies which are responsible for the social matters, thus external stakeholders are the motivation for SMEs to operate their businesses with social responsibility. Hence, the study proposed the hypothesis as followed:

H3: There is a significant relationship between external pressure and the SME's motivation towards CSR.

Relationship between Moral Responsibility and Corporate Social Responsibility of SMEs

Kuratko, Hornsby, and Naffziger (1997) (as cited in Seet and Ahmad, 2009) found that ethics in business claims to know 'what ought to be done or what ought not to be done' in managing a business. Companies possess a moral responsibility are voluntarily to fulfil the expectations of society or community, despite those companies are not being explicit or backed up by regulations. Regarding the behaviour of companies, they are already beyond the mere expectations of economic and legal considerations (Longo, Mura, & Bonoli, 2005). Furthermore, Jenkins (2004a) supported that the moral or ethical reasoning component, and also found that small and medium enterprises engaged in corporate social responsibility, because of moral and ethical reasons, such as 'do the right thing'.

Similarly, Worthington, Ram, and Jones (2006) indicated that the attitudes and behaviour of SMEs commonly and willingly engage in a variety of social, ethical and environmental activities related to interactions which are beyond their direct commercial institution. As mentioned earlier, it also helps them to embed their presence in the community and be more fully functioning. The firms which involved in various forms of socially responsible behaviours can contribute to the common good, as well as help individuals and enterprise to build social capital. Besides, CSR practice also can help to build social capital for the community as a whole (Malovics, 2009).

Generally, the pursuit of corporate social responsibility is promoted by the top members of corporate government, especially promoted by the entrepreneur which depends on its ethical moral orientation and value. Therefore, SMEs adapts to CSR practices are due to the ethical values reasons. Moreover, the economic goals can and will become a means of achieving the objectives of morality and society itself. People can say that, the behaviour of power-oriented (both economic and market changes) is not ethical to maximize profits (or the creation of economic value in the long term), the behaviour of a social reputation of the ethical values of the local maximum attention. This is because the group has recognized that credibility comes from the core rather than from the business environment and its marketing services. Overall, the majority of entrepreneurs pushes their

firms to become socially responsible are because of their own ethical ideal. Thus, it proposed following hypothesis:

H4: There is a significant relationship between moral responsibility and the SME's motivation towards CSR.

Based on the thoroughly review on the relevant past studies, this study proposed the following conceptual framework for the study.

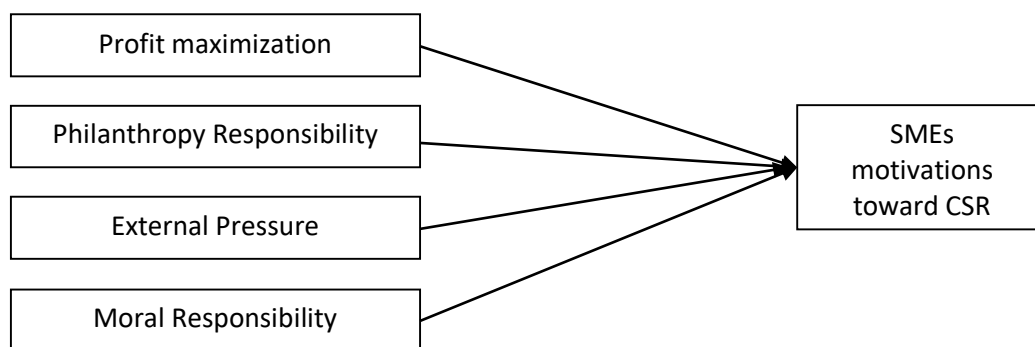


Figure 1: Conceptual framework

RESEARCH METHOD

The design of the study was correlation study as it attempted to seek the relationship between the factors that influencing SME's to adopt CSR. In this study, respondents were selected from those who held managerial position in SME companies, located in Penang, Johor, Perak and Kelantan. These locations were chosen as they consist of urban and suburban to ensure all SMEs were located in different places. In addition, there will be different perceptions of SMEs from the representatives if the places or regions diverse.

For the purpose of this study, probability stratified random sampling method was employed to provide context for generalizing data. The type of survey used in this study was self-administrated questionnaire which was conducted through mail survey, in order to provide comfort to the respondents' in answering the questions without the existence of an interviewer. Besides that, through this method, it also able to reduce interview bias and interview cost.

Findings

Table 1: Correlation analysis

		Profit maximization	Philanthropy responsibility	External pressure	Moral responsibility
CSR	Pearson Correlation	.792**	.693**	.772**	.810**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	384	384	384	384

** . Correlation is significant at the 0.01 level (2-tailed).

Table 2: Model Summary

Model	R	R Square
1	.822	.684

α. Predictors: Constant), Moral, Pressure, Philanthropy, Profit

β. Dependent Variable: CSR

According to the Table 2, the correlation coefficient, R which is 0.822, shows a high positive correlation between the independent variable and the dependent variable. In addition, the coefficient of determination, R square is 0.684, where 68.4% of variances in dependent variable is explained by the four independent variable. The result indicates that it was a moderate equation model where R square is 68.4%. Only 31.6% of the variances were not explained by the independent variables which means that there were other factors which caused this to occur.

Table 3: ANOVA

Model	F	Sig.
1 Regression	71.159	.000 ^a
Residual		

- a. Predictors: (Constant), Moral, Pressure, Philanthropic, Profit
 b. Dependent Variable: CSR

Table 3 shows that the F-statistics of 71.159 is a significant value of 0.00, which is less than p-value of 0.05. As the p-value 0.000 is less than the significant level of 0.05, the researchers failed to accept the H0. Therefore, researchers can conclude that the four independent variables (profit maximization, philanthropy responsibility, external pressure, and moral responsibility) were significantly related to the dependent variable (SMEs motivation towards CSR).

Table 4: Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	Sig.
	B	Beta	
1 (Constant)	.598		.000
Profit maximization	.114	.128	.166
Philanthropy Responsibility	-.073	-.067	.459
External Pressure	.339	.376	.000
Moral Responsibility	.407	.445	.000

According to the table above, we can see that the moral responsibility independent variable ranks number 1 with the Beta value of 0.445, followed by external pressure with the Beta value of 0.376. Besides, profit maximization ranks number 3 with Beta value of 0.128. Philanthropy responsibility ranks the lowest with the Beta value of -0.067.

According to the results of multiple regression analysis, R square is 0.684, where 68.4% of the variation in CSR is explained by moral responsibility, external pressure, philanthropy responsibility, and profit maximization. The F-statistics of 71.151 is a significant value of 0.00 which is less than p-value of 0.05. Thus, we can conclude that the four independent variables (profit maximization, philanthropy responsibility, external pressure, and moral responsibility) were significantly related to the dependent variable (SMEs motivation towards CSR).

DISCUSSION

The hypothesis testing results determined that four motivation factors had the strongest significant association with SMEs motivation towards CSR. Jenkins (2009) stated that the majority used the moral and ethical reasons to explain why the CSR activities were important

to them. Moreover, the respondents have shown that the internal drive were their main motivation to implement CSR rather than the external pressure. Furthermore, whether the researched firms undertook the CSR activities not because of the business case, but because of being motivated by moral reasons and the values of the owner-manager. Southwell, 2004 (as cited in Jenkins, 2009) also suggested that the majority of SMEs agrees that they should pay significant attention to their social and environmental responsibilities.

SMEs play an important part in investments of social capital which they believe can overcome certain problems in the society, but they tend not to reflect their own social practices. It is because they are often based on personal moral beliefs are not business reasons motives (Jenkins, 2009).

Based on findings, external pressure is the second highest motivation to affect the SMEs towards CSR. Besides, the Pearson Correlation Analysis can prove that there is a significant relationship between external pressure and SMEs' motivation towards CSR. The p-value of 0.000 for external pressure which is less than the significance level 0.05. The ranking of Standardized Coefficient indicates that external pressure has the second influencing power to affect the SMEs in CSR aspect when compared with other factors. From the perspectives of external pressure, the most cited drivers of social responsibility are customers, supply chain and strong link to the community. Small and Medium Enterprises are that aware the social responsibility business activities are for improved image and reputation, as well as customer loyalty. On the other hand, one of the most cited obstacle to external stakeholders in the supply chain is cost-cutting pressure from top to bottom, using a loophole of SMEs to the social irresponsibility (Kusyk & Lozano, 2007).

According to Petts, Revell and Blackburn (1999) (as cited in Cochius, 2006), SMEs is only motivated to take action as a result of external pressure when it is concerning the motivations of SMEs to engage in CSR. There is a reduction in the competitive advantage of firms due to the adverse publicity, legislation and damage to the company's image. Another external pressure to promote the participation of SMEs in corporate social responsibility is the supply chain pressures from large companies (Jenkins, 2004a). Large-scale enterprises are forcing their smaller suppliers to be included in a certain social responsibility practice. Based on Cochius (2006), when the companies realize that these external pressures are the main driver to motivate them to engage in CSR activities, their motivations fall into the integrative category of Garriga and Mele. It is due to the companies' belief that they are depends on society for their existence; otherwise they would not realize the external demands as pressure.

Another important finding that there is a significant relationship between profit maximization and SMEs motivation towards CSR. The p-value of 0.000 is less than the significance level 0.05. Based on the ranking of Standardized Coefficient, profit maximization is the third important motivation to influence the SMEs to take part in CSR activities. Since there is a positive relationship between profit maximization and SMEs motivation towards CSR, so we believe that profit maximization will be the one factor to motivate the CSR activities of SMEs. Historically, corporate social responsibility is an economic responsibility. Commercially, economic responsibility is the basic unit of a company (Carroll, 1979).

Based on the instrumental theory of Friedman (1970), it describes the CSR is described as a simple means to generate profits in business. It is speculated that the company is a tool for wealth creation, and this is its only social responsibility. The focus of this group is to meet the objectives that generate long-term goa. For examples, there are

maximizing shareholder values, strategies to achieve competitive advantage and result in sales.

Generally, for corporation which implement CSR activities due to profit reasons, they are not only emphasizing on profit-making but also to satisfy the economic responsibility towards the community and society, such as providing goods and services at reasonable prices. Besides, they also pay for their employees, increase the shareholders' value as well as pay attention to the interest of other stakeholders.

According to Rahim, Jalaludin, and Tajuddin (2011), there was a research conducted in the United States which indicated that, claiming to be a socially responsible organization as not the biggest economic success can be dangerous. This idea is illustrated by the case of the ice cream maker Ben and Jerry. The company was accused of neglect because of its economic performance in many philanthropic activities repeatedly.

From the Table of Pearson Correlation Analysis, we know that the p-value for philanthropy responsibility, 0.000 is less than the significance level 0.05. Therefore, there is a significant relationship between philanthropy responsibility and SMEs motivation towards CSR. It is indicated that philanthropy responsibility is also a factor to motivate the SMEs to implement the social responsibility.

According to the ranking of Standardized Coefficient, philanthropy responsibility is the last important factor to influence SMEs towards social responsibility among the four factors. Based on Carroll (1979), although the factor of non-financial community contributions is not the most important component of CSR for the majority of the SMEs, the presence of non-financial community contributions indicates that the discretionary or philanthropic responsibility as identified by Carroll (1979) is present among some SMEs. Based on the political theory by Garriga and Mele (2004), small and medium enterprises engage in corporate social responsibility, because they want to be good citizens based on moral obligation to contribute to the welfare of society, rather than the reason to increase profits.

CONCLUSION

For a start, the importance of CSR activities is only recognized by most of the large companies in developing country like Malaysia. It is because the large companies have extra resource to implement such social responsibility activities which are not easy to be carried out by SMEs. However, recent trends show that there are some growing participations of SMEs in the Corporate Social Responsibility agenda (Nejati and Amran, 2009). Recently, in Malaysia, the recognition of SMEs towards those corporate social responsibility issues is growing. They understand that SMEs plays important role in promoting the Malaysia to the continuous economic growth. So, there are many SMEs are practicing social responsibility activities in various forms and different purposes to motivate them.

Although the majority of the SMEs is motivated by their own individual responsibility in doing the social responsibility and nearly 20% of market share generated from SMEs contribution, SMEs which has already engaged socially, still facing the problem of lack of expertise in decision- making for their business interests and also those SMEs due to shortage of financial resource then not yet practice corporate social responsibility. Therefore, the implementation of ISO 26000 may raise awareness, provide definitions, and add legitimacy of debate on social responsibility. ISO 26000 is a global standard for all types of organizations, as well as SMEs. In addition, ISO 26000 may increase the level and scope of

work which are defined as social responsibility and provide the short term guidance to SMEs which are facing the short term difficulties of lack of financial resource and expertise. SMEs that are cautious about the environmental and social progress, certainly need the support in terms of credit and consultancy. By implementing ISO 26000, they have external expertise which is best suited for them to interpret their business context.

Moreover, we can find the contribution of SMEs towards corporate social responsibility in the context of academic. The contribution of SMEs in social responsibility for the community is much more important than the large companies in the country. It can be identified through the improvement of customers' loyalty and the strength of the relationship of one company with the general community. SMEs are doing business providing goods and quality products and services to the customers, as well as focusing on the community benefits, providing those products and services to fulfil the communities' needs which add the substantial value to the community. It includes the honesty of doing business without cheating behaviour. As a result, it can build positive enterprises' image to the public and improve the relationship with the public authorities. In environmental aspect, it improves the environmental performance by increasing energy and material efficiencies and also reducing pollution.

Furthermore, SMEs which carries out the environmentally friendly responsible activities can help those enterprises achieve the cost and also resource reduction as well as increase the competitiveness of the company. SMEs can gain some financial benefits when implementing the CSR; reach the cost saving from the material, energy of the employees, and also reduce the waste of the company caused everyday as well as increase efficiencies. Nowadays, the trend of emphasising social responsibility agenda keeps on increasing; it means various party also focus on environmentally friendly activities. In addition, the clear environmental profile is contributing to competitive or marketing advantage or satisfaction of existing customers. Thus, more and more companies engage with this trend as a business strategy to compete in the market.

It is very clear that CSR plays a substantial role in promoting and providing a competitive advantage of the company. CSR also promote organization to reach another level of economy standard such as knowledge-based economy that could lead to generation and utilization of knowledge in order to strengthen economic growth and wealth creation (Abdullah, Basri, Hasim, & Rahman, 2009). In addition, factors that are studied in this research; profit maximization, philanthropy responsibility, external pressure and moral responsibility significantly show that SME start to concentrate on CSR to strengthen their existing market in the current fierce competitive landscape. This study also confirmed that the moral responsibility of the organization highly influences CSR practices while philanthropy responsibility less motivates CSR. Therefore, it can be concluded that the result may provide some insight to business leaders with more practical perspectives about influencing factors of CSR among SMEs in Malaysia.

BIODATA

Thamil Durai Chelliah is a lecturer from Faculty of Business & Finance, Universiti Tunku Abdul Rahman, Kampar, Perak. Email: thamildc@utar.edu.my

Mathivannan Jaganathan is a lecturer from School of Business Management, Universiti Utara Malaysia, Kedah. Email: mathivannan@uum.edu.my

Mahendra Kumar Chelliah is a lecturer from Faculty of Accountancy and Management, Universiti Tunku Abdul Rahman, Kuala Lumpur. Email: mahendra@utar.edu.my

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