CSR in MSMEs: A Systematic Literature Review and Future Research Agenda

Yuni Nustini¹, Agus Arwani²*, Eva Budiana³, Maidani³, Sri Dewi Wahyundaru⁴, Randy Ariyadita Putra⁴

¹Faculty of Business and Economics, Indonesian Islamic University (UII), Indonesia
²Faculty of Islamic Economics and Business, Universitas Islam Nergeri K.H. Abdurrahman Wahid Pekalongan, Indonesia
³Faculty of Economics and Business, Universitas Bhayangkara Jakarta Raya, Indonesia
⁴Faculty of Economics, Universitas Islam Sultan Agung, Indonesia
⁵Faculty of Islamic Economics and Business, Institut Agama Islam Negeri Kendari, Indonesia

*Corresponding author email: agus.arwani@uingusdur.ac.id

ABSTRACT
The purpose of this study was to conduct a systematic literature review on corporate social responsibility (CSR) in micro, small, and medium enterprises (MSMEs). MSMEs stand as pivotal contributors to economies worldwide, fuelling innovation and economic growth. As the business landscape evolves, the relevance of CSR practices among these enterprises becomes increasingly apparent. This study aims to collect, analyze, and synthesize findings that already exist in the literature on CSR practices among MSMEs, as well as formulate possible research directions for the future. This study seeks to bridge the knowledge gap by delving into CSR practices within MSMEs, examining both manufacturing and service sectors. It aims to identify the unique internal and external factors influencing the effective implementation and success of these CSR strategies. We will identify the specific challenges faced by MSMEs in adopting CSR, as well as analyze the benefits they can achieve through the implementation of CSR practices. The systematic literature review research methods are systematic steps to collect, analyze, and synthesize relevant literature on CSR among MSMEs. Research results emphasize the importance of CSR practices for MSMEs, acknowledge the limitations of existing research due to limited data and context-specific considerations, and highlight the theoretical and practical implications of such research for developing CSR strategies and guidelines for MSMEs. Provides a comprehensive overview of the complexities, challenges, and benefits associated with implementing CSR practices in MSMEs across various sectors and contexts. This research addresses the pressing need to understand the role of CSR in MSMEs. As these enterprises navigate the dynamic business landscape, equipping them with insights into effective CSR practices can bolster their contributions to sustainable development.

KEYWORDS: Corporate Social Responsibility (CSR), Micro, Small, and Medium Enterprises (MSMEs), Systematic Literature Review (SLR)

1. INTRODUCTION
Amidst the dynamics of the global economy, the concept of CSR has gained increasing attention (Luetkenhorst, 2004; Elalfy et al., 2020). CSR reflects the Awareness that organizations are responsible for their business activities’ social and environmental impacts (Lindgreen et al., 2009). While CSR is often identified with large corporations, MSMEs are also increasingly recognized as essential in implementing CSR practices (Russo & Tencati, 2009). The concept of CSR has gained significant attention in the evolving global economy, particularly in its application to MSMEs. While traditionally associated with large corporations, the increasing recognition of CSR’s relevance in MSMEs highlights the need for a more nuanced understanding of its implementation and impacts in this sector (Bhinekawati, 2018; Russo & Tencati, 2009; Achi, 2022).

According to The World Business Council for Sustainable Development (WBCSD) (Kossovsky, 2013), CSR is the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large. CSR is a multi-layered concept consisting of four interrelated aspects. First, economic responsibility entails ensuring that a company should do business at least to cover its daily costs. Second, legal responsibility entails the obligation of companies to avoid engaging in illegal activities and strictly adhere to statutory provisions. Third, ethical responsibility describes the need
for the company to act fairly and ethically according to the law. Finally, philanthropic responsibility describes the company's creative community involvement to society's expectations. (Ali Shah et al., 2020). CSR is running a business in accordance with the wishes of the company owners, usually in the form of making as much money as possible while always heeding the basic rules outlined in society as regulated by laws and regulations (Carroll, 2010).

This concept has gained significant attention in the business world, emphasizing the responsibility of organizations to consider the impact of their activities on society and the environment (Carroll, 2010). While CSR is often associated with large corporations, its relevance and implications for MSMEs are also interesting. MSME is a term used to describe a business sector with a smaller scale of operations than large enterprises (Zaridis & Mousiolis, 2014). These parameters may vary from country to country according to local economic and industry conditions. According to Edward Elgar Publishing, MSMEs are organizations with independent ownership and management structures, have a smaller scale, and are generally involved in producing, distributing, and marketing goods and services (Knight & Liesch, 2016). MSMEs are characterized by their smaller operational scale compared to large enterprises, typically having a restricted workforce, lower revenues, and limited assets (Esubalew & Raghrurama, 2017). They are often businesses with a small employee base, fewer assets, and a stronger focus on local markets as opposed to global ones (Spence et al., 2018). According to the World Bank, MSMEs are businesses with a smaller scale of operations than large enterprises and have a limited number of employees, revenues, and assets (Esubalew & Raghrurama, 2017). According to Edward Elgar Publishing, MSMEs are businesses that employ a small number of workers, have limited assets, and are generally more associated with local markets than global markets (Spence et al., 2018). The definitions of MSMEs presented by these authors provide diverse views on the characteristics, scale of operations, and role of MSMEs in the economy and society. Parameters such as number of employees, revenue, and assets are often used to classify MSMEs in different categories.

CSR in MSMEs is an increasingly prominent part of today's business landscape. In the context of MSMEs, CSR is a conscious effort to integrate social, environmental, and economic considerations in daily activities (Ibrahim et al., 2012; Achi, 2022). CSR is increasingly vital in today's business environment, including among MSMEs (Bhinekawati, 2018; Achi, 2022). The importance of CSR in MSMEs must be addressed, as it is not just about complying with social and environmental norms but also impacting sustainable growth and positive contributions to society. The importance of CSR in MSMEs is not just about complying with norms but about creating a business that provides more comprehensive and sustainable benefits. By adopting CSR practices, MSMEs can help shape a better future for their communities, the environment, and the economy (Hernández-Perlín, 2016). Despite its growing importance, current research on CSR in MSMEs is limited, often overlooking the unique challenges and opportunities faced by these enterprises compared to larger organizations. This study seeks to address this gap by providing in-depth analysis and insights into CSR practices within MSMEs, focusing on specific challenges, benefits, and the development of tailored CSR strategies (Eialy et al., 2020; Hernández-Perlín, 2016).

This study summarizes the latest findings in the field of CSR applied in MSMEs. This research is very important considering the crucial role of MSMEs in the global economy. MSMEs are not only a pillar of economic growth but also an undeniable source of innovation. The application of CSR practices in MSMEs is relevant in an ever-changing business era and emphasizes the importance of sustainability and social responsibility. Although CSR has become an increasingly important topic in the global business context, research notes on CSR implementation in MSMEs are still limited. Previous research has focused more on large companies, so specific aspects relevant to MSMEs are often overlooked. There are also shortcomings in existing research, such as a lack of in-depth analysis of the challenges MSMEs face in implementing CSR, as well as limitations in data that can reduce the generalization of findings.

This research aims to fill the gap by providing deeper insights into CSR practices within MSMEs. We will identify the specific challenges faced by MSMEs in adopting CSR, as well as analyze the benefits they can achieve through the implementation of CSR practices. In addition, we will take a closer look at the theoretical and practical implications of this research to develop CSR strategies and guidance that suit the needs of MSMEs. This research explores CSR strategies in manufacturing and service MSMEs, as well as the internal and external factors that influence their success. In addition to its impact on brand image and reputation, the study also looked at links to financial performance and growth of MSMEs. The role of owners in social and environmental activities and government support is also in focus, along with cooperation with suppliers and customers. The results are expected to provide valuable practical and academic insights.

The novelty of this study lies in its exclusive focus on MSMEs, which previously received less attention in CSR research. The research will also incorporate the latest and relevant findings in the CSR literature so as
to provide a more comprehensive and contemporary view of the issue. This research is expected to provide valuable insights for business practitioners, decision-makers, and other stakeholders interested in developing CSR in the context of MSMEs. In addition, this research is expected to be the basis for further research in this field. The contribution of CSR to MSMEs is key to creating positive impacts in various social, environmental, and economic aspects. Good CSR practices enhance the reputation of MSMEs and help build a more sustainable society. The contribution of CSR to MSMEs is not just about complying with norms but about creating a sustainable positive impact in various aspects of life. By integrating CSR practices into their daily operations, MSMEs can play an important role in building a more sustainable society. The term MSMEs encompasses businesses with smaller operational scales than large enterprises, characterized by a restricted workforce, lower revenues, and limited assets. The definition and classification of MSMEs vary globally, reflecting diverse economic and industry conditions (Zaridis & Mousiolis, 2014; Knight & Liesch, 2016; Esbale & Raghuram, 2017; Spence et al., 2018; Suminah et al., 2022).

CSR in MSMEs involves integrating social, environmental, and economic considerations into daily activities. It goes beyond mere compliance with norms, aiming to contribute positively to sustainable growth and societal well-being. The adoption of CSR practices by MSMEs is not only crucial for ethical business conduct but also for shaping a future that benefits communities, the environment, and the economy (Ibrahim et al., 2012; Achi, 2022). This research is novel in its exclusive focus on MSMEs within the CSR discourse, a perspective that has received less attention in previous studies. By incorporating the latest findings, the research provides a contemporary view of CSR in MSMEs, exploring its strategies, impacts, and theoretical and practical implications for business practitioners, decision-makers, and other stakeholders (Elalfy et al., 2020; Hernández-Perlines, 2016).

2. METHODOLOGY

Employing systematic literature review methods, this research synthesizes relevant literature on CSR in MSMEs, highlighting the importance of CSR practices for these enterprises and acknowledging the limitations of existing research due to limited data and context-specific considerations. The Systematic Literature Review (SLR) method is used to identify, review, and combine findings from various relevant studies in a particular field (van Dinter et al., 2021). Using the Systematic Literature Review (SLR) method in our research on CSR in MSMEs offers significant advantages. First, SLR enables us to comprehensively delve into the current research landscape, ensuring no relevant studies are overlooked, which is critical in understanding the overall context and latest developments in CSR within MSMEs. Second, the objectivity and transparency provided by the systematic and repeatable SLR procedures minimize biases, enhancing the trustworthiness of our findings. Third, this method is highly effective in identifying gaps in the existing research, providing a solid foundation for future studies. Moreover, SLR facilitates the comparison and integration of results from various studies, accommodating geographical, sectoral, and cultural diversity in CSR practices among MSMEs. Finally, its ability to handle a wide and complex range of information allows us to present a rich and in-depth synthesis of the subject, offering more detailed and nuanced insights into CSR in the context of MSMEs. Therefore, this methodological approach significantly strengthens the reliability and relevance of our research, making a substantial contribution to the literature in this field. In this study, SLR CSR was conducted on MSMEs. In the research, the stages of SLR were carried out:

2.1. Determine the Research Question

The research questions about CSR SLR in MSMEs are as follows:

Q1: How do CSR implementation strategies differ between MSMEs in the manufacturing and service sectors?
Q2: What are the internal and external factors influencing the successful Implementation of CSR practices in MSMEs?
Q3: What are the positive and negative impacts of CSR practices on the brand image and reputation of MSMEs?
Q4: What is the effect of CSR practices on the financial performance and growth of MSMEs?
Q5: Does the involvement of MSME owners in social and environmental activities have an impact on business sustainability?
Q6: What is the role of government support in encouraging the Implementation of CSR practices in MSMEs?
Q7: How does cooperation with suppliers and customers affect the implementation of CSR practices in MSMEs?

2.2. Database Selection

Academic databases and relevant sources of information related to CSR in MSMEs in the study used databases from Scopus.

2.3. Keyword Selection

Identify keywords that match this research with the keywords “CSR,” “MSME,” “CSR Practices,” and “CSR Impact.”

2.4. Literature Search

Search using keywords that have been specified in the Scopus database from 1997 to 2023. Save the search results in a spreadsheet or Mendeley reference management tool, totaling 203 articles sourced from journals, reviews, and conferences.
2.5. Literature Selection and Assessment

Evaluation and selection of literature based on predetermined inclusion and exclusion criteria. Select relevant and high-quality articles by removing articles from reviews and conferences, removing articles that are not by the topic with SLR, and selecting themes that are most suitable for the SLR object, namely SLR in MSMEs, and found a total of 9 articles and other articles used as other sources of explanation.

3. RESULTS AND DISCUSSION

Table 1 shows data obtained from the Scopus database; there are many topics on CSR in general in the scope of companies, banks, and SMEs, totaling 203 articles in the form of articles, reviews, conference papers, and book chapters found, consisting of 170 articles or 84%, 19 in the form of reviews or 9%, 11 conference papers or 5% and 3 book chapters or 1%. For the purpose of SLR specifications in narrowing down the special SLR on the topic of CSR MSMEs. The search results obtained the following results:

<table>
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<th>Article Type</th>
<th>Total</th>
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<tr>
<td>Article</td>
<td>170</td>
<td>84%</td>
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<tr>
<td>Review</td>
<td>19</td>
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<tr>
<td>Conference Paper</td>
<td>11</td>
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<tr>
<td>Book Chapter</td>
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<td>Total</td>
<td>203</td>
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Table 2 shows that the total number of articles, reviews, and book chapters related to CSR MSMEs is 13, consisting of 9 articles, or 69%, one review, or 7%, and three book chapters, or 23%. So that with this data it will be interesting and contribute to further research on the topic of CSR MSMEs. Table 3 shows a list of articles with CSR MSME Topics.

Table 2: Data on CSR MSME Topic Articles

<table>
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<th>Article Type</th>
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<tr>
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<tr>
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</tr>
<tr>
<td>Book Chapter</td>
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3.1 CSR Implementation Strategies Differ Among MSMEs in the Manufacturing and Service Sectors

CSR implementation strategies for MSMEs in the manufacturing and service sectors (Perrini et al., 2007) may differ due to each sector's unique characteristics (Daszyńska-Zygarło et al., 2016), operating environment (Nguyen et al., 2018), and challenges (Jatmiko, 2021). The following are some of the differences that may arise in CSR implementation strategies (Husted, 2007; Aguilar, 2019) between the two sectors in terms of the Type of Products and Services MSMEs in the manufacturing sector generally produce physical goods (Önüt & Soner, 2007; Faller & Feldmüller, 2015). Their CSR strategy may be more focused on reducing production's environmental impact (Luetkenhorst, 2004; Chakraborty, 2022), such as using environmentally friendly raw materials and waste management (Wielgórka, 2016; Nandy et al., 2022). And MSMEs in the service sector focus more on service delivery (Zehrer, 2009; López-Mateo, 2017). Their CSR strategy may be more oriented towards training employees (Husted, 2007), creating an inclusive work environment (Achi, 2022), or contributing to the local community (Marwan, 2019). In terms of environmental impact (Indarti, 2017), manufacturing MSMEs may need to consider reducing the environmental impact of their production processes (Hernández-Perlines, 2016), including waste management, more efficient use of energy (Berger, 2007; Achi, 2022) and adoption of green technologies (Stewart, 2018) and MSMEs in the service sector may focus more on reducing the environmental impact of day-to-day operations (Park, 2015), such as reducing energy consumption in offices or adopting waste reduction practices (Cowper-Smith & De Grosbois, 2011). Regarding Supplier and Customer Engagement (Jatmiko, 2021; Hampton et al., 2022), manufacturing MSMEs may have to collaborate with suppliers to ensure the resources used are environmentally friendly (Mafini & Loury-Okoumba, 2018; Aguilar, 2019). They also need to consider how customers value and repurpose their products (Bhinekawati, 2018; Lüdeke-Freund et al., 2019). And MSMEs in the service sector may be more engaged with customers in terms of providing information about the social and environmental responsibility of their business (Jenkins, 2006; Aguilar, 2019).

In terms of scale of operations, manufacturing MSMEs may have challenges in dealing with a larger scale of operations, such as managing supply chains and logistics. Furthermore, MSMEs in the service sector may be more flexible in adapting their CSR practices to a smaller scale of operations. In terms of Product Sustainability, manufacturing MSMEs may need to consider the life cycle of their products and how to reduce the impact of the product after customers use it. Moreover, MSMEs in the service sector may focus more on long-term service quality and continuous interaction with customers. Local factors include manufacturing. MSMEs may have challenges managing local raw materials, water use, or environmental issues. MSMEs in the service sector may be more connected to local communities and can more easily participate in local social initiatives.
3.2 Internal and External Factors that Influence the Successful Implementation of CSR Practices in MSMEs

The successful implementation of CSR practices in MSMEs can be influenced by several internal and external factors (Garriga, 2004; Indris & Primiana, 2015). Factors that may affect the successful implementation of CSR practices in MSMEs include (Kechiche & Soparnot, 2012; Marwan, 2019) (1) Internal Factors consist of Strong leadership and commitment of MSME owners to social and environmental values will affect the extent to which CSR is implemented effectively (Irawan, 2022; Vives, 2022), Awareness of the importance of social and environmental responsibility and corporate values that support CSR can encourage the implementation of CSR practices, The Availability of human, financial, and technological resources will affect the capacity of MSMEs to implement CSR practices, Managerial capability in planning, executing, and measuring the impact of CSR practices will contribute to successful implementation, Organizational culture that supports collaboration, openness, and concern for society and the environment will encourage the implementation of CSR and Organizational structure that is flexible and collaborative can facilitate the implementation of CSR practices.

External factors include Demands from customers, employees, suppliers, local communities, and regulators, which can influence MSMEs’ decisions to adopt CSR practices (Ciliberti, 2008); government regulations related to social and environmental responsibility can encourage or force MSMEs to implement CSR (Williamson, 2006; Amaeshi, 2008). Interaction with local communities and the impact that MSMEs have on the community can affect the image (Biondi et al., 2000; Aguilar, 2019) and reputation of the business and Consumers who are increasingly concerned about social and environmental issues can encourage MSMEs to implement CSR practices (Le, 2022), Access to training, financial support and CSR networks can assist MSMEs in implementing CSR practices, Business and industry associations can provide guidelines, standards and approval in implementing CSR practices and Monitoring by civil society and media coverage of social and environmental responsibility can influence MSME decisions.

3.3 Positive and Negative Impacts of CSR Practices on the Brand Image and Reputation of MSMEs

CSR practices can positively (Esen, 2013) and negatively impact (Yoon et al., 2006) MSMEs’ brand image and reputation. Positive Impacts include consistent CSR implementation, and positive impacts can improve the brand image of MSMEs in the eyes of consumers (Ben Youssef et al., 2018; Yusuf et al., 2022). People are more likely to support businesses that contribute to the

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### Table 3: Articles with CSR MSME Topics

<table>
<thead>
<tr>
<th>Author</th>
<th>Title</th>
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<tbody>
<tr>
<td>Achi, A.</td>
<td>CSR and green process innovation as antecedents of micro, small, and medium enterprise performance: Moderating role of perceived environmental volatility</td>
</tr>
<tr>
<td>Hernández-Perlines, F.</td>
<td>Analysis of the effect of corporate social responsibility on the business results of micro, small, and medium-sized enterprises (MSMEs)</td>
</tr>
<tr>
<td>Jatmiko, B.</td>
<td>Strategies for MSMEs to Achieve Sustainable Competitive Advantage: The SWOT Analysis Method</td>
</tr>
<tr>
<td>Aguilar, J. L. E.</td>
<td>Practices of corporate social responsibility developed by Mexican family businesses and their impact on competitive success and innovation</td>
</tr>
<tr>
<td>Welgöön, D.</td>
<td>Environmental management in the aspect of sustainable development in micro-, small-, and medium-sized enterprises</td>
</tr>
<tr>
<td>Marwan, A.</td>
<td>Micro, small and medium enterprises (MSMEs) and creative industry development: Case study of Ternate City, Indonesia</td>
</tr>
<tr>
<td>Saraswati</td>
<td>Materiality analysis and CSR in micro, small, and medium enterprises</td>
</tr>
<tr>
<td>López-Mateo, C.</td>
<td>Market structure and corporate social responsibility in Mexican micro, small and medium enterprises: The link between individual and social preferences</td>
</tr>
<tr>
<td>Indarti, S.</td>
<td>The effects of entrepreneurial attitudes mediation on the relationship between education and training and management supervision on business growth in Riau, Indonesia</td>
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environment and society (Lii et al., 2013). CSR practices that are meaningful and have a positive impact can build a good reputation for MSMEs (Le, 2022). This can increase consumer confidence and differentiate the business from competitors (Moravcikova et al., 2017; Jatmiko, 2021). Consumers who care about social and environmental responsibility tend to support MSMEs that have strong CSR practices (Aguilar, 2019; Vives, 2022), resulting in increased sales and customer loyalty (Lee et al., 2003). CSR practices can strengthen relationships with employees, customers, suppliers, and local communities, all of which contribute to a positive image and successful CSR practices can be used as inspirational stories that can captivate media and public attention, helping to build a unique narrative for the MSME brand.

Negative Impacts consist of CSR practices that are inconsistent or only used as a marketing tool without real impact can result in impaired credibility (Lin et al., 2016) and create a negative impact on the brand image (Kim et al., 2020). Claiming positive effects that cannot be proven or accurately measured can harm brand image if these promises are not fulfilled. CSR practices that are considered controversial or inconsistent with brand values or social responsibility can harm reputation. Implementation of CSR practices that are expensive or inefficient can negatively impact the financial health of MSMEs, and if CSR practices are perceived as a manipulative attempt to divert attention from the main problem, this can harm the brand image.

Credibility Issues: CSR practices that are inconsistent or merely used as marketing tools without real impact can severely impair a company’s credibility. This misalignment between proclaimed and actual practices leads to skepticism among consumers and stakeholders, negatively affecting the brand image [16] source]. Brand Image Harm: Promises related to CSR that cannot be substantiated or accurately measured can damage the brand image, especially if these promises are not fulfilled. The perceived gap between the company’s CSR declarations and its actions can lead to a loss of trust among consumers and other stakeholders. Reputation Damage: CSR practices perceived as controversial or inconsistent with a brand’s core values or social responsibility ethos can cause reputational harm. This includes practices that are seen as not aligning with the company’s stated mission or ethical standards.

Financial Implications: Implementation of CSR initiatives that are expensive or inefficient can adversely affect the financial health of a company. This could manifest as reduced profitability due to the high costs of CSR activities that do not align with business objectives or fail to yield a sufficient return on investment. Manipulative Perception: If CSR practices are perceived as a manipulative attempt to divert attention from major problems or shortcomings of the company, this can result in a negative perception of the brand image. Such practices may be viewed as insincere or a form of ‘greenwashing,’ further eroding public trust.

3.4 The Effect of CSR Practices on Financial Performance and Growth of MSMEs
The effect of CSR practices on the financial performance and growth of MSMEs can vary depending on a variety of factors (Hernández, 2020), including the type of CSR practices implemented, business objectives, industry, and operating environment that have an influence, namely [1] Positive Influence including: Implementation of good CSR practices can provide a competitive advantage by differentiating MSMEs from competitors (Yusuf et al., 2022) and attracting consumers who are more concerned about social and environmental responsibility. Consumers tend to be more loyal to businesses that have positive CSR practices (Fatma et al., 2018), which can result in a growing customer base. Successful CSR practices can improve the brand image of MSMEs, which can have a positive impact on the perceived value of the product or service and higher prices. CSR practices that focus on local communities can strengthen relationships with relevant parties, including government, community, and non-profit organizations, which can provide financial support or access to new opportunities. Some markets or customers may expect MSMEs to have positive CSR practices, so implementing these practices can open doors to a wider market.

The Negative Influences include the implementation of intensive or complex CSR practices may result in additional costs for MSMEs (Szczanowicz & Saniuk, 2016), which may affect profitability; Focus on specific CSR practices may divert resources from other growth initiatives, which may slow business growth, MSMEs may face resource limitations to implement significant CSR practices, which may hinder development. Some consumers may not be affected by CSR practices and focus more on the value of the product or service. If CSR practices are perceived as controversial or incompatible with brand values, this may be detrimental to reputation and performance.

3.5 MSME Owners’ Involvement in Social and Environmental Activities Has an Impact on Business Sustainability
The involvement of MSME owners in social and environmental activities can positively impact business sustainability (Achi, 2022). This engagement may include direct participation in local social, environmental, or community initiatives (Supanti et al., 2015). Some of the ways in which MSME owners’ engagement in social and environmental activities can contribute to business sustainability (Famila & Wulansari, 2020) include [1] MSME owners’ engagement in positive...
social and environmental activities can enhance the brand image and reputation of the business. This can help differentiate MSMEs from competitors, attract more caring consumers, and build trust (Jenkins, 2006; López-Pérez et al., 2017). (2) Consumers tend to be more loyal to businesses active in social and environmental activities that match their values. This can result in a more stable growth of the customer base (Pirisch et al., 2007). (3) Involvement in social and environmental activities can strengthen relationships with employees, customers, suppliers, and local communities. It can create valuable networks for support and collaboration. (4) MSME owners’ involvement in the social and environmental community can open doors to new business opportunities, such as partnerships with non-profit organizations or participation in government programs. (5) Involvement in positive social and environmental activities can improve a business’s image in the eyes of the government and regulators, which can lead to regulatory support and leniency. (6) Owner involvement in social and environmental activities demonstrates a real responsibility towards social and environmental issues, which can strengthen ties with communities and customers.

3.6 The Role of Government Support in Encouraging the Implementation of CSR Practices in MSMEs

Government support plays a vital role in encouraging the implementation of CSR practices in MSMEs (Johnson, 2015). This support can include policies, incentives, guidelines, and programs encouraging MSMEs to adopt CSR practices. The concrete role of government support in encouraging the implementation of CSR practices in MSMEs includes, firstly, the creation of policies and regulations. The government can develop standards or guidelines on CSR practices relevant to MSMEs (Pastrana & Sriramesh, 2014), assisting MSMEs in understanding and implementing such practices. Second, Provision of Information and Resources (Gamerschlag et al., 2011): The government can provide educational materials and training on CSR to MSMEs, helping them understand the benefits and implementation methods of CSR practices (Wang et al., 2020); the government can provide Access to resources such as financial assistance, training, and consulting to assist MSMEs in developing and running CSR programs. Third, Incentives and Awards: The government can provide tax incentives or financial support to MSMEs that implement positive CSR practices, and the government can provide awards or certifications to MSMEs that successfully adopt CSR practices that have a positive impact. Fourth, Empowerment Through Partnerships: The government may form partnerships between MSMEs and non-profit organizations, research institutions, or educational institutions to assist MSMEs in implementing CSR practices. Fifth, Reporting and Monitoring: The government can encourage MSMEs to report their CSR practices transparently, helping to improve accountability and transparency.

3.7 Cooperation with Suppliers and Customers Affects the Implementation of CSR Practices in MSMEs

Collaboration with suppliers and customers can significantly impact the implementation of CSR practices in MSMEs (Hernández, 2020). Collaboration with suppliers and customers can strengthen MSME CSR efforts, create a broader impact, and create more positive relationships with stakeholders. The ways in which this collaboration can impact the implementation of CSR practices in MSMEs (Mendibil et al., 2007) include, first, Increased Supply Chain Transparency (Montecchi et al., 2021); partnership with suppliers and customers on CSR practices can increase transparency and accountability throughout the supply chain. This can help ensure that the products or services collectively comply with social and environmental standards. Second, in Joint Efforts in Social and Environmental Initiatives, MSMEs can collaborate with suppliers and customers to identify significant social and environmental issues and design initiatives that positively impact a larger scale (Nair & Sodhi, 2012). Third, Increased Social and Environmental Impact, Collaboration can strengthen the impact of CSR practices (Pelazo & Falkenberg, 2009). For example, MSMEs can work with customers to garner support for social projects or partner with suppliers to reduce the environmental effects together. Fourth, Risk Reduction. MSMEs can collaborate with suppliers and customers to identify and mitigate CSR-related risks (Faisal, 2009), such as human rights violations or negative environmental impacts. Fifth, Image and Reputation Enhancement: Cooperation in CSR practices can create a positive image for MSMEs in the eyes of stakeholders (Boateng et al., 2022). This can help build a better reputation and trust. Sixth, Responsiveness to Customer Wants: Through cooperation, MSMEs can better listen to customer wants and needs related to social and environmental responsibility and actively respond to them in their operational practices. Seventh, Innovation, Shared Learning, and Collaboration with suppliers and customers can open the door to exchanging CSR-related ideas and innovations, enriching MSMEs’ social and environmental responsibility approach.

The research emphasizes the theoretical and practical implications of CSR for MSMEs, providing a comprehensive overview of the complexities, challenges, and benefits associated with implementing CSR practices across various sectors and contexts. It addresses the pressing need to understand the role of CSR in MSMEs and how insights into effective CSR practices can enhance their contributions to sustainable development.

4. CONCLUSION

In order to encourage sustainability and social responsibility among MSMEs, implementing CSR practices has a crucial role. Through literature review and in-depth analysis, the importance of CSR for umm,
the positive impact of CSR practices, challenges and risks, the role of external support, industry and sector context, and business sustainability. In a global context that is increasingly aware of social and environmental responsibility, MSMEs have the opportunity to become agents of positive change in society. The Implementation of CSR practices, if done well, can provide significant long-term benefits to MSMEs and their surrounding communities. However, it is essential to understand the business context and consider the impact of decisions made to achieve social, environmental, and economic goals.

Research on the Implementation of CSR practices in MSMEs has several limitations that need to be acknowledged, including the limited availability of data on CSR practices in MSMEs, which can affect the depth of analysis and generalization of results. Data is sometimes challenging to obtain, especially if MSMEs still need formal reporting on CSR practices. Each MSME has unique characteristics, and the implementation of CSR practices can be heavily influenced by geographic context, industry, and business size. Therefore, it is difficult to make broad generalizations, and limitations in the relevant literature on CSR practices in MSMEs may limit an in-depth understanding of this topic. The limited availability of literature may make the analysis more limited.

Despite these limitations, research on CSR practices in MSMEs has essential value in providing insights into how MSMEs can contribute to social and environmental responsibility more broadly and how they can overcome barriers and optimize the positive impact of these practices. Given the dynamic nature of today’s business environment, it is recommended that MSMEs integrate CSR practices into their operations to enhance their sustainability and social impact. This research underscores the need for continued exploration in this area, particularly in developing CSR strategies and guidelines tailored to the unique needs of MSMEs.

Research on the implementation of CSR practices in MSMEs has important theoretical and practical implications, including the fact that this research can contribute to the development of a more in-depth theory of how MSMEs can adopt and implement CSR practices in a context that is unique to them. It can enrich our understanding of the social and environmental responsibilities of MSMEs, and this research can provide practical guidance for MSMEs in planning, implementing, and measuring the impact of CSR practices. These guidelines can help MSMEs avoid barriers and capitalize on emerging opportunities.

Future research suggestions to expand the literature review to compare CSR practices in MSMEs across different sectors, not just the manufacturing and service sectors. This can provide deeper insight into the differences and similarities in CSR implementation in different sectors. Examining the impact of CSR in more detail, both in terms of economic, social, and environmental, can help identify concrete benefits obtained by MSMEs and related stakeholders. Research on how technology and innovation can be used in CSR implementation in MSMEs, such as the use of green technology or digital-based platforms to engage consumers, can be an exciting area of research.

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