

## Modeling Of Barriers To Adoption Of CSR In Indian Smes: An Interpretive Structural Modeling Approach



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### Abstract

**Purpose:** Concept of CSR is gaining interest in recent trends but implementation of CSR practices is still a challenging task for SMEs in India. Different studies have highlighted these challenges and discussed about inability of SMEs to perform CSR for sustainability. However, inability in adoption of CSR in this sector has not been clearly attended by contemporary studies. This study is an attempt to identify the constraints that hinder SMEs from adopting sustainability and social responsibility practices.

**Design/Approach:** This study was conducted by employed Interpretive Structural Modeling (ISM) approach. Literature review conducted to extract the list of barriers and opinions from experts helped to identify 11 critical barriers. Data for the study collected from top management of various sectors like manufacturing, service, supply and transportation and were analyzed by ISM approach to construct stratified and circumstantial association among barriers.

**Findings:** The study shows that top management commitment and values is highly influential barrier that hinder CSR implementation in small and medium enterprises followed by ownership concentration and lack of time.

**Originality/Value:** Based on relationship among barriers this study discussed about implications of theory and practice for managers and policymakers.

**Keywords:** Corporate social responsibility, CSR barriers, sustainability, small and medium enterprises, interpretive structural Modeling,

### 1. Introduction

Corporate social responsibility, corporate social performance and sustainability are such activities which have emerged in many companies across world over the last few decades (Anser, 2018). CSR support firms to achieve competitive advantage by differentiating them from their competitors (Panwar et al., 2016). Many companies are adopting environment friendly practices, green manufacturing, making public commitments and reporting their performance (Veleva, 2009). They are getting positive results in terms of performance improvement, employee engagement, legal compliances and customer satisfaction (Choi, 2019). As compared to other sustainability approaches, CSR is most popular approach as it covers almost all significant aspects of sustainable development (Frynas & Yamahaki, 2019). Barnett (2007) has given one of the frequently used definition of CSR: "CSR is a freely allocated company resource to improve social well-being in order to strengthen relationships with key shareholders." Some researchers have mentioned five dimensions of CSR: Society, environment, philanthropy, stakeholders and economy (Dahlsrud, 2008; Eweje & Sakaki, 2015). They have also highlighted the important issues of CSR related to stakeholder satisfaction, fair business

practices, ethical actions, environmental protection and transparency (Leitao et al., 2018). Globally, many companies are taking initiatives of CSR practices for economic as well as social and environmental development. Despite the significant improvements, firms are facing complications in adoption and application of CSR (Alotaibi et al., 2019).

Concept of CSR is constantly evolving and its implementation has been discussed many times. Many researches have conducted which demonstrate that distinct obstacles can hinder the enactment of CSR (Shen et al., 2015). Hence the studies about CSR implementation have done in various sectors, such as manufacturing industry (Goyal & Kumar, 2017), service industry (Kumar et al., 2019), automobile industry (Fuji, Habidin, & Ong, 2018), Food industry (Hartmann, 2011), retail industry (Modreanu et al., 2024) and pharmaceutical industry (Min et al., 2017). Many studies have done on large and multi-national companies of developed countries such as USA and Europe (Alizadeh, 2022). However, academic literature is not enough to address the barriers of CSR in small and medium enterprises of developing countries, so identification of barriers to CSR implementation is a need of study to establish the infrastructure of CSR in Indian SMEs (Bux & Ahmad, 2020).

CSR practices can help to improve organizational performance and customer satisfaction, still its adoption is not an easy task. Especially in case of SMEs, the constant implementation and strategic control over actions faces many troubles. Therefore, this study is an attempt to identify those barriers and confer to overcome with the same. Initially the barriers are identified with extensive literature review and established contextual relationship among barriers with the opinion of experts. Then ISM methodology is used to analyze the barriers and develop matrix, MICMAC analysis is used to prioritize the significant barriers and presented it through digraph and final model has prepared showing most affecting and least affecting barriers. This study will help scholars, working professionals and policymakers to recognize key barriers for implementing CSR in developing economies. Review of literature with theoretical background of CSR barriers, Indian SMEs and major barriers for CSR implementation are presented in section 2. Section 3 presented research methodology i.e. ISM matrix, graph and models. Section 4 discussed the results and managerial implication has covered in section 5. Section 6 described the conclusion and limitation with future research directions are explained in section 7.

## 2. Review of Literature

Literature review has been divided into three parts; first part will cover theoretical background of CSR barriers. Indian SMEs will be defined in second part and third part will cover the major barriers for CSR implementation.

2.1 Theoretical background of CSR barriers: Barriers are those factors that influences the application of a system. Thus, researchers have identified several barriers to CSR implementation in various sectors; in manufacturing industry, lack of money and consumer's uninvolved belief towards CSR are the main hurdles in operating CSR in Indian manufacturing companies. Lack of skills and knowledge about CSR and attitude of top management to implement CSR are other significant barriers (Goyal & Kumar, 2017). Further, a study was conducted in Indian service industry showing ten barriers to CSR using analytical hierarchy process; outcomes of the study shows lack of significant benefit of CSR and financial constraints are the most significant barriers (Kumar et al., 2019).

Quiddi & Habba, (2023) conducted face to face interviews with 10 Moroccan firms regarding CSR perspective, drivers and barriers. Result revealed that firm size, perception of CSR as optional, predominant focus on compliance and resistance to change were the barriers that hinder the effective CSR integration. A purposive study was conducted on three large corporates which were started as SMEs and grown as large firm through CSR. In interview

managers revealed that effective implementation of CSR played a role of key driver in their growth and success (Seeletse, 2024). Mwalongo (2019) identified thirteen constraints faces by Indian SMEs to CSR engagement; controlled need to engage with their employees, limited CSR engagement capabilities and low CSR perceived benefits are the major constraints. Dawar & Singh (2023) performed a study on Indian manufacturing sector showing 19 critical barriers; by employed ISM the hierarchal model was prepared and contextual relationships among barriers was explained. Study indicates that rigid culture and corruption in governing system are most influential barriers that impede implementation of CSR.

A comparative study has performed in Middle East and North Africa (MENA), review of literature was done from 2010 to 2021 to identify barriers of CSR in MENA region and western countries. Ownership concentration, lack of awareness and cost are common barriers in both regions (Alizadeh, 2022). Mahmood et al., (2021) used thematic analysis approach to unleash the constraints to implement CSR in SMEs of Pakistan. Outcomes of the study reveals that lack of finance is the most influencing barrier followed by top management commitment and lack of knowledge. In a qualitative study, Zayer & Benabdelhadi (2023) gathered empirical data through 20 interviews and conducted content analysis that shows unclear CSR vision, unwillingness to perform, lack of conviction among management and lack of regulation are the barriers to CSR. Zou et al. (2021) conducted in-depth interviews to explore barriers to CSR in SMEs of Pakistan. The outcome of the study unveil that lack of resources is most influential barrier that hinder SMEs to engage in CSR practices.

Pillai et al. (2022) carried out in-depth interviews from 31 firms in Singapore; using stakeholder theory they mentioned a lack of knowledge to encourage workforce to get into CSR as main barrier. High cost and lack of time are other significant barriers. Alotaibi et al. (2019) investigated the 11 critical barriers of two mega construction projects in the Kingdom of Saudi Arabia; lack of coherent strategy and guidance, lack of transmission to stakeholder, lack of law enforcement and lack of training are the critical barriers. Shen et al. (2015) used Analytical Hierarchy Process (AHP) to evaluate the barriers to CSR in textile industry of southern India, financial constraints is most critical barrier to implement CSR.

2.2 Defining SME in context of India: Small and medium enterprises are backbone of Indian manufacturing sector. It contributes substantially in Indian economy. SMEs contribute about 38% in GDP, 40% in export and 40% in manufacturing sector (Songara, 2025). It is estimated that 90% of Industrial units in India covered and about 40% employment is provided by SMEs. In India, the

concept of small firms started dates back from self-sufficient village industries and ancient handicrafts. In British rule, it was dominated by colonial imports and post-independence it was re-emerged with government focus. In 2006 Micro, Small and Medium Enterprises Development (MSMED) Act 2006 came into existence for promotion, development and enhancement of competitiveness of micro, small and medium firms. The motive was to recognize Indian self-sufficient village tradition, artisans, handicrafts and cottage industries. Also, to remove rural-urban and inter-regional disparities, concept of small firms was established and promoted by government of India (Das, 2008). Currently, SMEs have the substantial contribution in large scale employment and economic growth of the nation.

Implementation of CSR is voluntary for SMEs, there is no legal obligation. Many firms are willingly adopting CSR practices in their business routines. Some firms are adopting green manufacturing

practices to save environment, doing plantation with the staff, using pollution control methods and organizing free health camps for the application of social, environmental and philanthropy aspects of CSR. In India, CSR is much more related to social work, almost every firm is performing social activities but on personal level. Very few of them are performing it on business level and involving their employees or motivating them to work for CSR. However, some interviews with the managers and CEOs reveals that these firms are gaining competitive advantage and achieving organizational development by implementing social responsibility practices. Furthermore, few observed no change or development in their business by performing CSR believing there is no such relation between the two. Despite, it is our responsibility towards the society and environment to implement effective CSR practices in business.

2.3 Major barriers for CSR implementation: Based on the literature survey a table has been developed showing hurdles for adoption of CSR (table 1).

S. no.	Barriers	Description	References
1	Lack of information	There is limited information about the actions could be performed for CSR	(Mwalongo, 2019), (Mahmood et al., 2021), (Jose & Jabbour, 2017)
2	Lack of knowledge	Lack of eco-literacy and ignorance of environmental impact of CSR activities among SMEs	(Bux & Ahmad, 2020), (Mahmood et al., 2021), (Mwalongo, 2019), (Alizadeh, 2022), (Dawar & Singh, 2023), (Zayer & Benabdelhadi, 2023), (Goyal & Kumar, 2017)
3	Lack of time	Engagement in operational activities causes no time for CSR	(Goyal & Kumar, 2017), (Mwalongo, 2019)
4	Lower awareness of CSR benefits	Benefits are not disclosed and communicated for public awareness	(Mwalongo, 2019), (Alizadeh, 2022), (Zayer & Benabdelhadi, 2023), (Bux & Ahmad, 2020)
5	Lack of capability to engage in CSR	Management, time and resources are limited, scarcity forces CSR discharge at a halt	(Mwalongo, 2019), (Rózsa et al., 2022)
6	High cost	Additional cost of CSR lead to lower willingness to implement CSR	(Alizadeh, 2022), (Bux & Ahmad, 2020)
7	Ownership concentration	Limited staff, scare resources and Focus on profit making resulting to least interest in CSR	(Alizadeh, 2022)
8	Limited CSR engagement capabilities	Lack of time and awareness about CSR leads to failure in performance	(Mwalongo, 2019), (Goyal & Kumar, 2017)
9	Limited need of engagement	Due to lack of capacity of sustainability management SMEs may have poor commitment	(Rózsa et al., 2022), (Mwalongo, 2019)
10	Government policy	Fuzzy government policies and vague procedures	(Zayer & Benabdelhadi, 2023), (Mwalongo, 2019), (Bux & Ahmad, 2020)

11	Lack of adequate support system and infrastructure	Due to small size SMEs fail to establish CSR infrastructure	(Mwalongo, 2019), (Zayer & Benabdelhadi, 2023), (Bux & Ahmad, 2020)
12	Lack of financial resources	Limited resources of SMEs and unawareness about government support policies	(Kusyk & Lozano, 2007), (Alizadeh, 2022), (Mahmood et al., 2021), (Goyal & Kumar, 2017)
13	Low perceived benefits	Unawareness of SMEs about benefits from performing activities of CSR	(Goyal & Kumar, 2017), (Mwalongo, 2019)
14	Access to finance	Limited access to finance and higher cost leads to unwillingness to implement CSR	(Bux & Ahmad, 2020), (Dawar & Singh, 2023)
15	Company's internal value system and culture	Work philosophy and unfavorable attitude towards society and environment	(Dawar & Singh, 2023)
16	Limited resources for delivering CSR program	Time and resources restrained firms to manage core business activities	(Dawar & Singh, 2023)
17	CSR implementation is too complex	Concept of CSR is changing over the time, its multidisciplinary nature slows down its effective implementation	(Dawar & Singh, 2023), (Mahmood et al., 2021), (Goyal & Kumar, 2017)
18	Top management commitment and values	Adoption of conventional business approach and resistance to change may lead to major hurdle for implementing CSR	(Goyal & Kumar, 2017), (Zayer & Benabdelhadi, 2023), (Mahmood et al., 2021), (Mwalongo, 2019), (Bux & Ahmad, 2020)

**Table 1: Identified barriers through Literature survey**

Researcher primarily used interpretive structural modeling as research methodology in present research to identify relationship among barriers. Based on aforesaid 18 variables, a questionnaire was structured and responses were collected. As per ISM methodology the focus group of four experts (two industry and two academic experts with an experience of more than one decade in the field of CSR management and implication) engaged in the discussion about identification of barriers of CSR in Indian SMEs. The focus group deleted 'lack of information' as it covers under 'lack of knowledge'. Similarly, focus group recognized 'High cost' and 'Access to finance' as one barrier and modified wordings of few variables. The group finalized 11 core variables which are:

- Lack of financial resources
  - High cost
  - Lack of knowledge and awareness
  - Ownership concentration
  - Limited CSR engagement capabilities
  - Limited need of engagement
  - Low perceived benefits
  - Government policy
  - Lack of time
  - Lack of adequate support system and infrastructure
  - Top management commitment and values
- These 11 barriers are considered for further study.

### Conceptual Framework

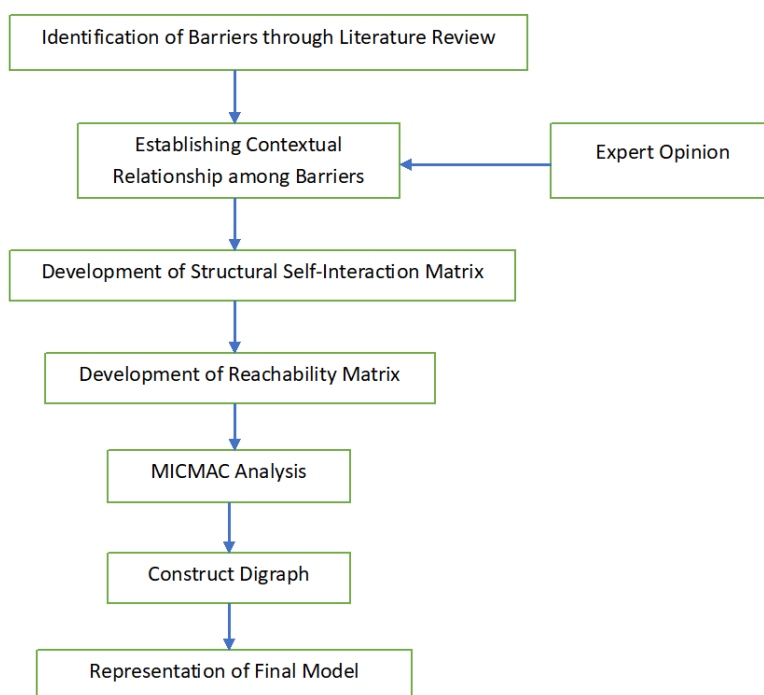


Figure 1: Conceptual Framework of ISM

3. Research Methodology

Interpretive Structural Modeling (ISM) was invented by John N. Warfield in early 1970s. It uses pairwise comparison, transitive logic and concept synthesis for developing model. This is a process that transforms complex system into well-defined hierarchical model that shows interrelationships among variables and their dependence (Sushil, 2012). This process starts with identification of variables associated with the problem, then establishment of contextual relationship among variables takes place. Pairwise comparison of variables is done to develop Structural self-interaction matrix (SSIM). Then SSIM is converted into reachability matrix and transitivity is inhibited. After this level partitioning is done followed by developing final model (Attri et al., 2013).

In this study the barriers that hinder the adoption of CSR have identified with literature review and the same has been analyzed by developing a questionnaire. In this questionnaire 18 items on a 5-point Likert Scale (1 means no barrier for CSR adoption and 5 means a barrier for CSR adoption) were finalized in consultation with two academic and two industry experts. Responses collected by 168 SMEs from different sectors like Manufacturing, Service, Supply and Transportation etc. Author approached those SMEs which responded positively to make certain arrangements for data collection i.e. timing, scheduling etc. Experts suggested that 11 items out of 18 are core variables that plays the role of barriers in performing practices of CSR in SMEs. They also suggested the contextual relationship among variables to construct Structural Self-Interaction Matrix.

3.1 Structural Self-Interaction Matrix (SSIM)

After identifying the barriers pair wise comparison is done to obtain SSIM. Symbols assigned to define relationship among variables and Structural Self-Interaction Matrix prepared (Table 2).

S. no.	Variables	1	2	3	4	5	6	7	8	9	10	11
1	Lack of Financial Resources		X	0	0	V	0	0	0	0	X	0
2	High cost			0	0	0	0	0	0	0	0	0
3	Lack of knowledge and awareness				0	V	X	0	A	0	0	0
4	Ownership concentration					0	0	0	0	V	V	A
5	limited CSR engagement capabilities						0	0	V	0	0	0
6	limited need of engagement							0	0	0	0	0
7	Low perceived benefits								X	0	0	0
8	Government policy									0	0	0
9	lack of time										V	0

10	lack of adequate support system and infrastructure												0
11	Top management commitment and values												

Table 2: Structural Self-Interaction Matrix (SSIM)

Here V= row variable influences corresponding column variable

A= row variable influenced by column variable

X= row and column variables influence each other

O= row and column variable have no relationship

There are 11 identified variables extracted from survey have symbolized to evaluate contextual relationship among these barriers (Sushil, 2012).

3.2 Reachability Matrix (RM)

SSIM is used to develop Reachability Matrix (RM) indicating the relationship between the variables in binary values for each entry as per the transitivity rules put forth by Sushil (2012).

The four situations are:

i. If the (r, c) entry in the SSIM is a V, the (r, c) entry in the reachability matrix becomes 1 and the (c, r) entry becomes 0.

ii. If the (r, c) entry in the SSIM is an A, the (r, c) entry in the reachability matrix becomes 0 and the (c, r) entry becomes 1.

iii. If the (r, c) entry in the SSIM is an X, both the (r, c) entry and the (c, r) entry of the reachability matrix become 1.

iv. If the (r, c) entry of the SSIM is an O, then both the (r, c) and (c, r) entries of the reachability matrix become 0.

Here r means row variable and c means column variable. Table 3 shows the Reachability Matrix.

S. No.	Variables	1	2	3	4	5	6	7	8	9	10	11	Driving Power
1	Lack of Financial Resources	1	1	0	0	1	0	0	0	0	1	0	4
2	High cost	1	1	0	0	0	0	0	0	0	0	0	2
3	Lack of knowledge and awareness	0	0	1	0	1	1	0	0	0	0	0	3
4	Ownership concentration	0	0	0	1	0	0	0	0	1	1	0	3
5	limited CSR engagement capabilities	0	0	0	0	1	0	0	1	0	0	0	2
6	limited need of engagement	0	0	1	0	0	1	0	0	0	0	0	2
7	Low perceived benefits	0	0	0	0	0	0	1	1	0	0	0	2
8	Government policy	0	0	1	0	0	0	1	1	0	0	0	3
9	lack of time	0	0	0	0	0	0	0	0	1	1	0	2
10	lack of adequate support system and infrastructure	1	0	0	0	0	0	0	0	0	1	0	2
11	Top management commitment and values	0	0	0	1	0	0	0	0	0	0	1	2
	Dependence Power	3	2	3	2	3	2	2	3	2	4	1	

Table 3: Reachability Matrix

3.3 Final Reachability Matrix (FRM)

Final reachability matrix is prepared with integration of transitivity rule into initial reachability matrix (Sushil, 2012). Table 4 shows the final reachability matrix.

S. No.	Variables	1	2	3	4	5	6	7	8	9	10	11	Driving Power
1	Lack of Financial Resources	1	1	1*	0	1	1*	1*	1*	0	1	0	8
2	High cost	1	1	1*	0	1*	1*	1*	1*	0	1*	0	8
3	Lack of knowledge and awareness	0	0	1	0	1	1	1*	1*	0	0	0	5
4	Ownership concentration	1*	1*	1*	1	1*	1*	1*	1*	1	1	0	10
5	limited CSR engagement capabilities	0	0	1*	0	1	1*	1*	1	0	0	0	5
6	limited need of engagement	0	0	1	0	1*	1	1*	1*	0	0	0	5
7	Low perceived benefits	0	0	1*	0	1*	1*	1	1	0	0	0	5
8	Government policy	0	0	1	0	1*	1*	1	1	0	0	0	5
9	lack of time	1*	1*	1*	0	1*	1*	1*	1*	1	1	0	9
10	lack of adequate support system and infrastructure	1	1*	1*	0	1*	1*	1*	1*	0	1	0	8
11tZ	Top management commitment and values	1*	1*	1*	1	1*	1*	1*	1*	1*	1*	1	11

Dependence Power	6	6	11	2	11	11	11	11	3	6	1
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Table 4: Final Reachability Matrix

3.4 MICMAC Analysis

Based on Driving power and dependence power assigned in table 2 the MICMAC (Cross-Impact Matrix Multiplication Applied to Classification) diagram is prepared (Fig. 2). It shows four quarters I, II, III and IV where first quarter represent Autonomous variables, second quarter for dependent variables, third quarter for linkage variables and fourth quarter for independent variables. In this study variable 3, 5,6,7,8 lies in second quarter which means Lack of

knowledge and awareness, limited CSR engagement capabilities, limited need of engagement, low perceived benefits and government policy are dependent variables. Lack of financial resources, high cost and lack of adequate support system and infrastructure are linkage variables that lies in quarter III. However, Ownership concentration, lack of time and top management commitment and values are independent variables.

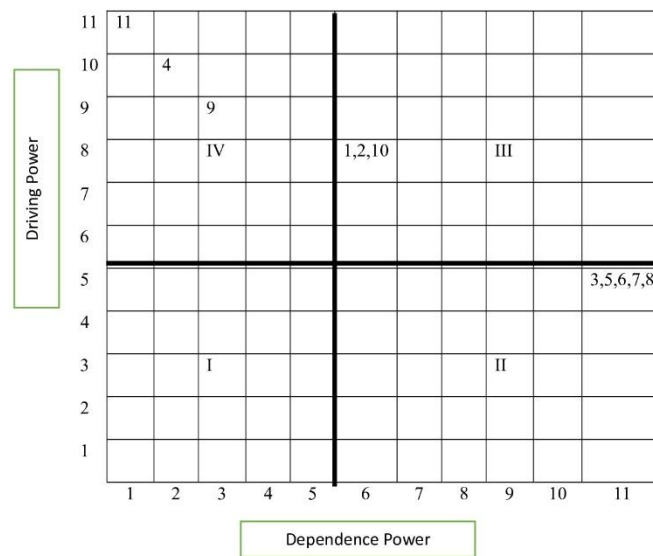


Figure 2: MICMAC Analysis

Now Reachability set  $R(M_i)$  and Antecedent set  $A(N_i)$  prepared for Level Partitioning and found out the value of  $R(M_i) \cap A(N_i)$  (Intersection set). Further, Level Partitioning Iterations prepared and elements bifurcated into level 1 to 5.

3.5 Digraph

Based on relationship among variables presented in final reachability matrix a graphical representation developed in Digraph as per level partitioning (Dawar & Singh, 2023). Figure 3 shows the digraph prepared with Interpretive structure model.

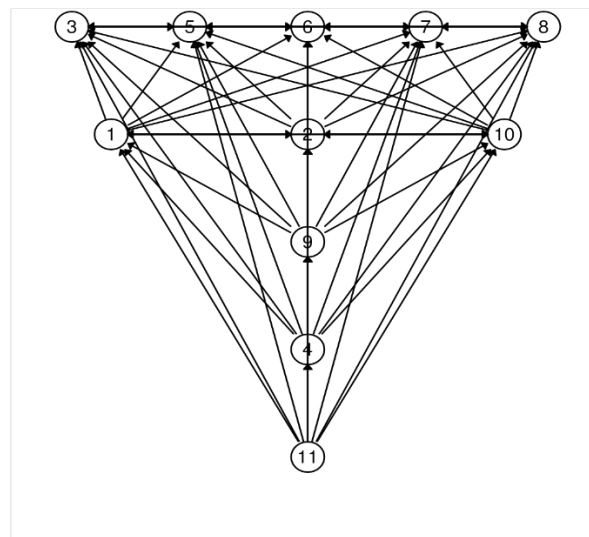


Figure 3: Digraph of CSR barriers

3.5 Final Model

After replacing coding with the interpretation of variables, Interpretive structural model is developed as shown in fig. 4. The interpretation of final model shows that Top management commitment and values is the most crucial element for adoption of CSR. Also Ownership concentration and Lack of time hinders for performing CSR activities in SMEs hence these three are the Driving Barriers. Barriers in final model presented with the numbering allocated as per SSIM table.

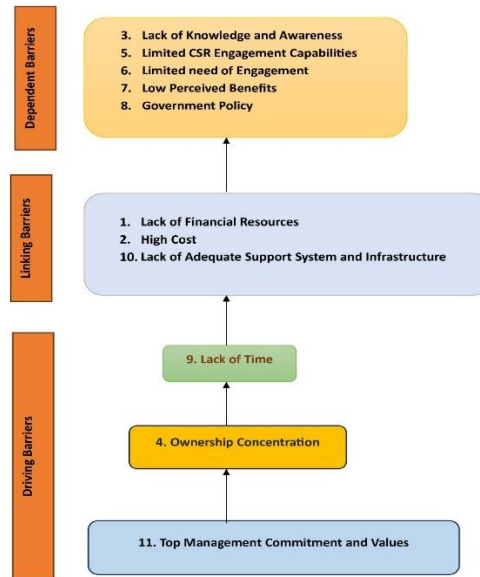


Figure 4: Final Model for CSR Barriers

4. Result and Discussion

CSR is mostly been related with large companies, especially Multinational kind of range. Despite of this myth many SMEs are involved in CSR practices (Santos, 2011). From SMEs perspective, it's been a challenge for them to play socially accountable at the same getting involved into operational activities. These challenges and barriers resist them to perform activities for social and environment good. The results of this study shows that all 11 barriers studied here are closely connected with actions of CSR and some of them crucially affect its adoption. These challenges are mentioned on the basis of driving power and dependence.

The results of ISM methodology show five levels in Conical Matrix derived from Level Partitioning Iterations. Level 5, Top Management Commitment and Values is the most crucial barrier of CSR implementation. In SMEs, it is the call of top management whether to perform CSR practices or not. Their willingness and values highly affect the decision-making process of implementation of CSR. In some cases, top management feels it less important to engage into CSR activities. Their primary focus is making profits through operational performances. Sometimes top management of SMEs avoid to constitute a committee for CSR as they lack expertise to develop CSR strategies. Else, they find it

irrelevant because of government policies for implementation of CSR.

Ownership Concentration is another vital challenge of SMEs that hinders to social responsibility practices (Level 4). Operating profit is the only point of focus for SMEs due to which they have less concentration on social welfare. Firms rarely perform green business practices. They work on basic business ideology of profit maximization and avoid society and environment. Enterprises prioritize survival and growth over spending on CSR. At level 3, the barrier is lack of time which is the most common challenge for not performing CSR. Firms are mostly busy in their operational burdens so they couldn't get sufficient time to spend on CSR. Due to the small size of workforce, SMEs fails to allocate dedicated staff to plan and manage social responsibility activities.

At level 2, the barriers are Lack of financial resources, High cost and Lack of adequate support system. SMEs lack sufficient financial resources to invest in CSR activities. In developing countries like India, SMEs consider CSR as an expense rather than a business opportunity. They lack sufficient financial resources to invest in CSR activities. The cost involved in CSR implementation is too high which resist them to work for social responsibility. Also, inadequate support system enables them to take less interest in CSR.

Based on the results of this study, the least influencing barriers are Lack of knowledge and awareness, Limited CSR engagement capabilities, Limited need of engagement, Low perceived benefits and Government policy. In this digital era, gaining knowledge is just a finger away hence lack of knowledge has been a least affecting barrier of CSR. However, awareness about CSR is still an issue. Firms have limited need to get engage into CSR practices, less motivation and limited capabilities due to small size. Indian SMEs do not disclose CSR reports so they observe low perceived benefits. Government policy on CSR is unclear for small and medium enterprises which result into disinterest among them for performing social responsibility practices.

### 5. Managerial Implication

The research will help Indian SMEs to understand the challenges for implementation of corporate social responsibility practices. Many SMEs voluntarily incorporate social and environmental practices such as eco-friendly technology and green manufacturing to gain business opportunities. However, firms face many challenges to perform CSR with their small size and limited resources. This study will help policy makers to craft strategic planning in such manner so that they could eliminate these barriers and implement social responsibility practices. Successful implementation of CSR will help the firms to achieve social, environmental and economic benefits.

#### 1. Removal of level 5 barrier

Top management commitment and values is the crucial challenge for SMEs which hinders to CSR adoption. Policymakers, managers and industry practitioners should recognize the application of social business activities as important part of organizational functions. Performing CSR is not easy for small sized industries; thus, management can constitute a separate CSR committee that can regulate the social responsibility practices thoroughly. In case of SMEs the decision-making power is concentrated with top management only so their actions and values can change the working style of the organization.

#### 2. Removal of level 4 barrier

Ownership concentration of the firms can be a challenge to adoption of CSR. Firms need to think about the society also while performing their operations. Because they get social and economic benefits from the society which helps them to run their business smoothly and make profits from it. CSR activities performed by them will build their goodwill among people and society at large also it will help them to retain talented employees as they would appreciate the social work done by the firms. Employees and workers feel more connected with the organizations that having good reputation. CSR activities differentiate them from their competitors

and help them to gain competitive edge in the market.

#### 3. Removal of level 3 barrier

SMEs are small in size with limited manpower and huge operations thus they suffer lack of time for adoption of CSR. Small and medium sized entities are already burdened with operational challenges. For removing this barrier, they can make schedule for CSR practices at least once in a year. Else, they can plan CSR implemental on some special occasions so that it could not affect their working hours and operational activities. After constitution of CSR committee, firms can appoint dedicated staff to plan and manage CSR activities.

#### 4. Removal of level 2 barriers

Like large companies, SMEs can also manage separate CSR fund as a reserve account with an affordable figure of amount on a monthly or yearly contribution basis. This reserve fund will help them to work for CSR without taking any burden of costing. Thus, managers can get redressal from the barrier of lack of financial resources and high cost together. In India, some organizations are providing incentives and assistance for CSR to encourage SMEs to adopt socially responsible activities. Industry associations and collaborations with NGOs will provide adequate support system and infrastructure.

#### 5. Removal of level 1 barriers

Government and NGOs are running CSR awareness programs to give information about work force, society, market and environmental oriented CSR practices that SMEs can adopt and perform. For engaging in CSR practices, SMEs can collaborate with other SMEs in same cluster to develop joint CSR programs that can reduce the operational cost. They can leverage technology and social media like twitter, Instagram and LinkedIn to showcase their CSR initiatives for enhancing visibility and attract people. Transparency in CSR reporting will help them to build trust among partners and stakeholders. Government encourages partnerships and collaborations to promote CSR among SMEs. They identify and recognize CSR committed SMEs offering them visibility and potential support. Department of MSME provides incentive for SMEs to engage in CSR practices.

### 6. Conclusion

This study uses ISM methodology to evaluate and prioritize the challenges to adoption of CSR practices in Indian SMEs. Small and medium sized enterprises have adopted and performed various socially responsible activities but they face some barriers that hinder the performance of CSR. In this study the barriers of CSR have identified with literature and based on the variables a questionnaire has been developed. On the basis of survey and expert opinion the ISM Model developed in hierarchical manner which ranked the barriers. With the help of this

ranking the policymakers of SMEs can identify the most significant challenge and accordingly they can make strategies for effective implementation of CSR. The model result concluded that Top management commitment and values highly affect the adoption of CSR. Interest of management can determine whether to opt CSR or not. SMEs have entire concentration on ownership and operational activities are their main objective due to which they hardly get time for any other practices. Lack of financial resources and inadequate information system discourage them for participation. Investment in CSR looks like an additional costing with low perceived benefits resulting to limited need of engagement. This shows the need of adoption of adequate policies and strategies that follow socially responsible practices.

### 7. Limitations & future research directions

The limitation of this study is selection of experts for deciding the contextual relationship among variables in ISM methodology. Hence, the results may differ with different expert's opinion. Other limitation is small and medium-sized enterprise considered for studying barriers. For future research, the industry type might differ with study across different geographical locations. To extend current research, more variables can also be considered for study. Future researchers may use simulation modeling to identify CSR challenges in Indian SMEs. Also, similar study could perform on diverse population in single industry type for more accurate results. Further study can be performed on one industry over a period of time to explore their barriers. For the assessment of validation of CSR activities extended study may be performed.

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