Social Responsibility Practices of Small and Medium Enterprises (SMEs) in the Province of Bukidnon, Philippines

Ronel V. Sudaria[1], **Michael Bonn A. Bonifacio**[2]

[1]*Department of Business Administration, College of Business and Management*
Central Mindanao University, Musuan Maramag, Bukidnon, Phillippines, 8710

[2]*Department of Business Administration, College of Business and Management*
Central Mindanao University, Musuan Maramag, Bukidnon, Phillippines, 8710

Email: michaelbonifacio@cmu.edu.ph

Abstract

The purpose of this study was to determine the social responsibility practices and the significant difference when the 393 small and medium enterprises (SMEs) in the province of Bukidnon were grouped by classifications, business organizations and business types. Employing the descriptive survey method, questionnaire, percentage, mean, t-test and ANOVA, results showed that majority of the enterprises are small in category with 10 years and below in operations. Mostly are sole proprietorship and involved in the business of retailing. It was also found out that there is a high level of social responsibility practices in terms of economic, legal, ethical, discretionary/philanthropic and environmental aspects. Moreover, there is no significant difference in the level of social responsibility practices for small and medium enterprises when analyzed by classification and by business type. However, the study yielded a significant difference in the level of social responsibility practices when analyzed by business organization. This study recommends that small and medium enterprises should integrate social responsibility in all phase of its business operation that will improve the quality of life of the workforce and their families, the welfare of the community and the well-being of the society as a whole.

Keywords: social responsibility, small and medium enterprises

Introduction

Social responsibility as business practice is an important management tool that emerged as a significant theme in global business community and has become a mainstream activity. Corporate social responsibility is a set of activities that connotes strategic investments which provides opportunity for creation of value, competitive edge generation, and superior performance for companies and enterprises (Bacinello, Tontini, & Alberton, 2020). And as a general notion, social responsibility involved enterprises voluntarily exceeding their legal duties to social, economic and environmental impacts of their operations.

According to the World Bank, social responsibility is commitment by businesses to behave ethically and contribute to sustainable economic development by working with all relevant

stakeholders to improve their lives in ways that are good for the business through implementation of sustainable development agenda to the society at large.

Moreover, scientists and marketing professionals emphasized the importance of corporate social responsibility (CSR) in consumer's decision-making process. Since social responsibility is becoming more popular in global scale, CSR is seen as crucial in creating attractive corporate image, providing competitive advantage and differentiation, leading to business success (Banyte et.al. 2010). Integrating social responsibility practices into brand positioning strategies is deemed as a key concept in brand marketing of companies. Although industrial buyers consider importance of CSR, only product design and perceived product quality are outshined CSR on the reasons why people purchased products nowadays (Youssef, et. al., 2018).

The existence of small and medium enterprises are considered to crucial for the country's economic growth of developing countries. Additionally, it was seen as a mechanism for employment generation and innovation. Aldaba (2012) underscored that small and medium enterprises (SMEs) are crucial for a country's economic growth, employment creation and innovation. It plays an important role in developing the Philippine economy. They help reduce poverty by creating jobs for the country's growing labor force. They stimulate economic development in rural and far-flung areas. They serve as valuable partners to large enterprises as suppliers and providers of support services. They serve as breeding ground for new entrepreneurs and large corporations.

In context, it can be observed that the extent to which SMEs contributing to the economic agenda is high effective in terms of providing opportunities to employment, increasing the transactions an economy can generate, thus promoting increase in gross domestic product, and finally the inclusion of money multiplier effect through increasing opportunities to engage and create entrepreneurial endeavor.

The 2021 statistics released by the Department of Trade and Industry (DTI) as provided by the Philippine Statistic Authority (PSA) recorded 1,080,810 business enterprises operating in the Philippines. Out of this number, 99.58% or a total of 1,076,279 of which are under the category of micro, small and medium enterprises or MSMEs where micro enterprises dominated constituting 978,612 or 90.54%, small enterprises with 93,230 or 8.63%, and medium enterprises with 4,437 or 0.41%. This growing number of MSMEs in the country has caused negative externality in production such as increase in waste produced from operations, other environmental detriment issues, legal and economic concerns.

The result of this investigation may be used as functional data to develop a better understanding why business engagement on social responsibility is important. Thus, making this undertaking was a matter of social relevance. The objectives of the present study therefore are as follows: present the profile of small and medium enterprises in Bukidnon; determine the social responsibility practices of SMEs in Bukidnon; and ascertain the difference of social responsibility practices when analyzed according to classifications, business organizations and business type.

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Methodology

The descriptive method of research was used in this study. Descriptive research involves collecting data to be able to describe the characteristics of the variables on interest in a situation and to test the hypothesis through a questionnaire survey, interviews or observations (Sekaran, 2012). This method is appropriate for this study to determine the level of social responsibility practices of small and medium enterprises. The respondents of this study were 393 small and medium enterprises in the province of Bukidnon. Stratified random sampling was used by the researchers in the identification of the number of respondents. The instrument was designed by the researchers. The questionnaire was constructed on a five-point Likert scale. It was pre-tested and obtained a Cronbach alpha of 0.901 and further validated by the panel of experts. The percentage, mean, t-test and analysis of variance were used in the analysis of data

Results and Discussion

Profile of Small and Medium Enterprises in the Province of Bukidnon

Out of 393 respondents, 373 or 95.0 percent are small enterprises and 20 or 5.0 percent are medium enterprises. Finding shows that majority of the enterprises in Bukidnon are small category. The number of years in operation of small and medium enterprises in Bukidnon. 10 years and below are 219 or 55.7 percent; 11 to 20 years are 89 or 22.7 percent; 21 to 30 years are 52 or 13.2 percent; 31 to 40 years are 10 or 2.5 percent; 41 to 50 years are 12 or 3.1 percent and 51 years and above are 11 or 2.8 percent.

There are 219 sole proprietorship; 7.6 percent or 30 partnership and 36.7 percent or 144 are corporation out of 393 small and medium enterprises in Bukidnon. As to the business type, there are 179 or 45.5 percent whose businesses are retailing. This is followed by 111 or 28.3 percent services; 50 or 12.7 percent involved in business of manufacturing/producers; and 53 or 13.5 percent involved in other business operations such as trading, wholesaling, contracting/sub-contracting, merchandizing, mining, quarrying and a like.

Economic aspect

The very high rating means that social responsibility practices in terms of economic aspect is very well practiced. This connotes that small and medium enterprises provide good and safe working conditions for employees and maintain good relationship to suppliers and other stake holders while doing social activities. However, items on strengthening business networks locally and globally and disclosing to customers total information needed for buying got the lowest mean.

Legal aspect

The very high rating means that social responsibility practices in terms of legal aspect is very well practiced. This implies that small and medium enterprises exercise social practices on promoting transparency and accountability to the public, complying business permits and licenses and practicing fair pricing. Moreover, it should develop crisis and risk reduction management plan.

Ethical aspect

The very high rating means that social responsibility practices in terms of ethical aspect is very well practiced. This connotes that small and medium enterprises respect employees' rights and safety, observe moral integrity, justice and equality and observe ethical relationships among employees and management. However, SME's may provide additional career development, training and professional advancement to employees.

Philanthropic / discretionary aspect
The moderate rating means that social responsibility practices in terms of discretionary/philanthropic aspect is moderately practiced. This connotes that small and medium enterprises moderately donated money or in kind to charitable causes, rendered free services to the community and other organizations and conducted fundraising activities for a cause/target beneficiary.

Environmental aspect
The high rating means that social responsibility practices in terms of environmental aspect is well practiced. This implies that small and medium enterprises were actively involved in the promotion and protection of the environment.

Table 2
Summary on the level of social responsibility practices of small and medium enterprises in Bukidnon

Indicator	Mean	Descriptive Level
Economic Aspect	4.56	Very high
Legal Aspect	4.73	Very high
Ethical Aspect	4.56	Very high
Discretionary/ Philanthropic Aspect	3.49	Moderate
Environmental Aspect	4.20	High
Overall	**4.31**	**High**

Range of Mean	Descriptive Level
4.50 – 5.00	Very High
3.50 – 4.49	High
2.50 – 3.49	Moderate
1.50 – 2.49	Low
1.00 – 1.49	Very Low

Significance of the difference in the social responsibility practices of small and medium enterprises when analyzed by business classification
The result shows no significant difference in the level of social responsibility practices for small and medium enterprises when analyzed by classification as revealed in the overall t computed value of -1.689 with a p value of 0.162 which is greater than .05 level of significance. The result is not significant; thus, the null hypothesis is accepted.

The finding means that small and medium enterprises reveal an equal level of social responsibility practices. This implies that the classification is not a source of difference along this variable. However, on ethical aspect as indicator, the computed t value is -2.071 with a p value of 0.002 which is lower than .05 level of significance. The result is significant thus the null hypothesis is rejected. The result means that small and medium enterprises show differences on the level of social responsibility in terms of ethical aspect.

Furthermore, on economic, legal, discretionary/philanthropic and environmental aspects as indicators. The result shows no significant difference on the level of social responsibility practices as reveled in the computed t value of -0.994, -1.478, -1.064 and -2.233 with the p value of 0.321, 0.152, 0.288 and 0.092, respectively. The results are not significant; thus, the null hypotheses are accepted**.**

Table 3
Social responsibility practices when analyzed by business classification

Social Responsibility Practices	Classification		t value	p value	Decision on Ho
	Small	Medium			
Economic aspect	4.56	4.70	-0.994	0.321	Accept
Legal aspect	4.72	4.85	-1.478	0.152	Accept
Ethical aspect	4.55	4.85	-2.071	0.002**	Reject
Discretionary/Philanthropic aspect	3.51	3.75	-1.064	0.288	Accept
Environmental aspect	4.18	4.50	-2.232	0.092	Accept
Overall	4.30	4.52	-1.689	0.162	Accept

Note. The p-value summary per business type category.
*p<0.05
**p<0.01

Significance of the difference in the social responsibility practices of small and medium enterprises when analyzed by business organizations

The result shows an F computed value of 2.587 with a p value of 0.038 which is lower than .05 level of significance. The result was significant thus the null hypothesis was rejected. It can be stated therefore that there was a significant difference on the social responsibility practices when analyzed by business organizations. This means that sole proprietorship, partnership, and corporation had a difference on social responsibility practices.

However, in terms of legal aspect, the F computed value was 0.663 with a p value of 0.575 which is greater than .05 level of significance. The result was not significant thus the null hypothesis was accepted. This means that sole proprietorship, partnership, and corporation revealed an equal level of social responsibility.

As regards to economic, ethical, discretionary/philanthropic and environmental aspects, the F computed values were 2.866, 2.848, 4.043 and 2.178 with p values of 0.036, 0.037, 0.008 and 0.040, respectively, which are lower than .05 level of significance. The results were significant thus the null hypotheses were rejected.

Table 4
Social responsibility practices when analyzed by business organization

Social Responsibility Practices	Business Organizations			F- value	p-value	Decision on Ho
	Sole Proprietorship	Partnership	Corporation			
Economic Aspect	4.50	4.47	4.67	2.866	0.036*	Reject
Legal Aspect	4.69	4.73	4.70	0.663	0.575	Accept
Ethical Aspect	4.49	4.53	4.67	2.848	0.037*	Reject
Discretionary/ Philanthropic Aspect	3.41	3.57	3.65	4.043	0.008**	Reject
Environmental Aspect	4.11	4.40	4.26	2.178	0.040*	Reject
Overall	4.24	4.34	4.39	2.587	0.038*	Reject

Note. The p-value summary per business organization category.
*$p<0.05$
**$p<0.01$

Significance of the difference in the social responsibility practices of small and medium enterprises when analyzed by business type

The result showed an F computed value of 0.835 with a p value of 0.467 which is greater than .05 level of significance. The result was not significant thus the null hypothesis is accepted. This means that there was an equal level of social responsibility of small and medium enterprises when analyzed by business type. This means further that business type is not a source of difference.

Table 5

Social responsibility practices when analyzed by business type

Social Responsibility Practices	Business Type				F- value	p-value	Decision on Ho
	Retailing	Service	Manufacturing/ Producers	Others			
Economic Aspect	4.50	4.60	4.65	4.61	1.160	0.325	Accept
Legal Aspect	4.69	4.79	4.71	4.74	0.811	0.488	Accept
Ethical Aspect	4.52	4.59	4.58	4.65	0.640	0.590	Accept
Discretionary/ Philanthropic Aspect	3.46	3.50	3.69	3.65	1.094	0.351	Accept
Environmental Aspect	4.14	4.20	4.29	4.31	0.850	0.467	Accept
Overall	4.26	4.33	4.38	4.39	0.835	0.421	Accept

Note. The p-value summary per business type category.
*$p<0.05$
**$p<0.01$

Conclusions and Recommendations

Based on the foregoing results and discussions, the following conclusions were drawn:

1. In the province of Bukidnon majority of the enterprises belong to small category with 10 years and below in operations. Majority are sole proprietorship and mostly involved in the business of retailing.
2. There is a high level of social responsibility practices in terms of economic, legal, ethical, discretionary/philanthropic, and environmental aspects.

3. There is no significant difference in the level of social responsibility practices for small and medium enterprises when analyzed by classification and by business type. However, the study yielded a significant difference in the level of social responsibility practices when analyzed by business organizations.

Based on the forgoing conclusions, the researcher proposes the following recommendations:

1. Small and medium enterprises must have to integrate social responsibility practices in all phase of its business operation through contributing resources and materials for community development to strengthen business networks locally and globally.
2. Involvement of employees in different social responsibility activities. Allow employee to participate or attend on seminars/trainings on social responsibility practices in business as a way of providing professional development and career advancement.
3. Promote environmental protection and conservation by engaging in activities which aim to protect and improve the quality of the natural resources, producing/selling environmental friendly products and services and avoiding the use of harmful substances in the conduct of business operations
4. Develop the philanthropic spirit by extending donations and other resources to foundations and charitable organizations that will improve the quality of life of the workforce and their families, the welfare of the community and the well-being of the society as a whole.

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Credit Authorship Statement

- Ronel V. Sudaria: Writing - Original Draft, Conceptualization, Investigation, Project Administration
- Michael Bonn A. Bonifacio: Writing – Original Draft, Formal analysis, Methodology

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Ronel V. Sudaria[1], **Michael Bonn A. Bonifacio**[2]

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