A Study of Relationship between ICT Adoption, CSR and Financial Performance in SMES

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Abstract

The study attempts to determine how ICT adoption by SMEs facilitates CSR and its implication on financial performance. The study also aims to explore the nature of relationship between CSR activities of SMEs and financial performance. CSR domain includes four stakeholder groups viz. Environment, Customers, Employees, and Community. The underlying rationale of the study is that there are hardly any conclusive empirical findings on relationship between the above stated constructs, particularly evidence from SMEs in developing economies.

For the study data was collected, using structured questionnaire based on pre-tested scale items, from 288 SMEs in Rajasthan. This research employs structural equation modelling (second order) to test the relationship between CSR and financial performance along with ICT adoption.

While a few respondents feel that CSR has a positive impact on financial performance, majority of respondents feel otherwise. This weak positive relationship between CSR and financial performance finds support in previous studies as well. There is a moderate relation between ICT adaptation and CSR practices ICT adaptation and financial performance of the SMEs.

This research was conducted within a specific region in India i.e. Rajasthan state, and as such these findings may or may not be generalized to other geographic areas.

CSR and financial performance has a weak positive relationship especially among SMEs. It is found that most of the respondents agreed with the notion that ethical practices and being socially responsible corporate citizens may have a positive relation on financial performance in the long run only. In the short run most CSR activities are targeted towards profit motive. Researchers also found that ICT adoption plays a role of catalyst in strengthening the CSR activities and subsequently improving the financial performance of the firm. Moreover most of the firms have a strong belief that the financial implications of CSR are experienced in the long run. Most of the SMEs adopt the ICT with the vision of sustainable development through taking care of their respective stakeholders.

Introduction

Bowen (1953) first introduced the idea of CSR- describing it as an obligation for companies to take certain factors into consideration during the course of their business activities.Companies are encouraged to implement practices compatible with the values of their business and to take into account the expectations of all its stakeholders (Freeman,1984) - namely employees, suppliers, clients, consumers, the local community and environmental associations.

Worldwide the SME business sector is such a significant sector in terms of the economic, environmental and social impact it makes, attention has been turned to discussion and analysis of the principles and practices in SMEs businesses with the result that this sector no longer finds itself outside the CSR movement (Jenkins,2004,Murillo & Lozano,2009).It has been argued that all organizations have an impact on society and the environment through their operations, products

and services and through their interaction with key stakeholders and therefore CSR is important in all firms, large and small.

However, the literature on CSR has traditionally focused attention on larger firms.While articles have been calling for research since 1990s, the work to date has been limited and there is a considerable amount of research needed (Lapointe et al., 2004; Spence et al., 2003) on CSR in small and medium enterprises (SMEs). It has been particularly scarce on SMEs in developing economies (Burton and Goldsby, 2007). SMEs are an essential source of a country's jobs, create entrepreneurial spirit and are crucial for fostering competitiveness and employment. It is important to gain a better understanding of the CSR orientation of SMEs located in India because they has emerged as a dynamic and vibrant sector and play a very important role in boosting the economy.

SMEs play a basic role in the improvement and promotion of economic indices as a major economic sector of any country and therefore, adopting creative, modern methods and tools for performing business processes.ICT is a field of work and study that "includes technologies such as desktop and laptop computers, software, peripherals, and connections to the Internet that are intended to fulfill information processing and communications functions". ICTacts as an enabler to reduce costs, improve customer's value and to find new markets for products and services.

Kalanje (2002) stated that ICTs rapid pace of change combined with its developments in international trade have resulted to the opening of a wide range of opportunities and challenges for SMEs as they are now able to reach potential customers in distant market. Therefore ICT adoption is a key concept that will help businesses to be more competitive in the marketplace, by lowering transaction costs and enhancing competition through cheapercommunication and information (Alemayehu, 2005).

ICT networks have been included in numerous business enterprises including not for profits (Burt and Tayler, 2000). It is the intent of this paper to discuss how SMEs can realize the implementation of CSR and drive the CSR actions and policies through the use of the pervasive nature of ICT and its implication on financial performance.

Corporate Social Responsibility

The European commission (2001) defines CSR as "a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment." CSR involves complex issues such as environmental protection, human resource management, health and safety, relations with local communities, suppliers and consumers (European Commission, 2001). Recent definitions of CSR describe it through the lens of the stakeholder theory and suggest that other groups and constituents are affected by a business's activities(Agle and Mitchell, 2008; Agatiello, 2008). CSR involves the performance of companies in monetary, social and environmental terms and includes the impact of business activities on suppliers, customers, employees, local community and the environment.

Defining CSR in SMEs

Despite the importance of the SMEs impact on the natural and social environment, academic studies on socially responsible practices in the context of SMEs appear virtually absent from the debate (Jamali and et al, 2009).It has been argued that stakeholder theory can be used to describe and explain CSR(Wang, 2008; Agle and Mitchell, 2008). The argument is equally applicable to smallfirms, "for SMEs, responsible business maximises benefits for their business as well asfor their internal and external stakeholders"(CSR Europe, 2001).

ICT adoption in SMEs

Generally, SMEs adapt to changing business environments and innovate to overcome challenges faster than larger enterprises. However, it is difficult to retain these capabilities more and more without the adoption of information and communications technologies (ICT) to support their business processes.It has been often said that ICTs empower SMEs to overcome the competitive disadvantages they face due to small size, limited resources, geographical locations, and access to market.The reasons for the implementation of information technology could be cost reduction, creation of

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business opportunities and improvement of solidarity with partners and associates.(Rothwell and Dodgson,1993). Neergard (1992) investigated SMEs in Denmark, Ireland and Greek .He identified four major reasons for accepting information technology, especially e-commerce by SMEs, as it increases output, it improves services to customers, it simplifies the work process and it keeps record.

CSR through ICT

ICT is a truly global and universal phenomenon that provides an avenue for the implementation of CSR and the drivers to ensure compliance with the intent. ICT also provides the means to crease a forum for those working in the field of CSR to join together to discuss the meaning and application of the definition. This discussion may well result in a universal definition of CSR that, like the United Nations Declaration of Human Rights, can be couched in terminology that allows for cultural variances but sets basic ground rules. This allows for Freeman's (1984) Stakeholder's Theory to be encompassed because CSR results in the compliance of organizations via corporate strategy with the needs and aspirations of the community.

Although as aforementioned, CSR is much researched and discussed, the academic literature is strangely quiet about the means through which it can be implemented. Within the resulting variety of definitions comes the ability for CSR to be a concept capable of implementation by anyone at any time in any place for any reason. This flexibility allows us to propose herein that CSR can be implemented and driven using the ICT.

ICT enable companies to link their internal and external data processing systems more efficiently and flexibly, to work more closely with suppliers and partners, and to better satisfy the needs and expectations of their customers. ICT also offers the opportunity to SMEs to take on and compete with larger enterprises. Small companies, despite their size can also have a global presence through their internet website which is a cost-effective medium to expand the organizations network and provide immediate awareness in the markets serving as a means for competition in the global marketplace.

Literature Review

The idea of CSR as an element of firm strategic advantage isn't new. According to the strategic stakeholders approach firms may engage in CSR activities in order to develop and maintain good relationships with various stakeholders. The activities may include working free of charge for charities, making charitable donations and recycling initiatives (Jenkin, 2006). There has been a continuous argues that the firm, as a social agent, has multiple stakeholders and the role of management is to create a balance between them: shareholders, employees, suppliers, community, environment and so on. Satisfying their interests and being accountable to them may actually have a positive impact on all firm dimensions, including financial performance.

The majority of studies on CSR, however, are still embedded in the economic and organizational contexts of Europe and the US (Raman, 2006). Only a few studies have explored some of the multiple aspects of this concept in India, both theoretically and empirically (Arora and Puranik, 2004; Narwal and Sharma, 2008).

Husted, (2003), Basu& Palazzo, (2008) examine the link between CSR and firm's financial performance. They have argued that improved performance can be attained by aligning the firm's business interests or resources with appropriate CSR initiatives.

Arlow and Ackelsberg (1991) investigated social responsibility within small firms and its implication on the firm's financial performance. Results suggested that there is no relationship between social responsibility and financial performance. Similar results have obtained by Mc Williams and Siegel, (2001). Contrary to these results Balabanis et al. (1998) investigated the claim that social responsibility and economic performance are linked and tested this relationship within a UK context and found a significant relationship. Similar results were obtained by Bessera and Miller's (2000) who found a positive relationship between CSR and financial performance in SMEs.

Freeman (1994) argued that social performance is needed to attain business legitimacy. Managers have a fiduciary responsibility to all stakeholders and not

just to shareholders. Freeman's statement anticipated later research on the link between social responsibility and financial performance and suggested a positive correlation between the two in the long run.

Brammer&Pavelin, (2006),Pirsch et al., (2007) discuss the reasons how CSR leads to improved financial performance. They include the avoidance of long-term corporate costs associated with social irresponsibility better public image and corporate reputation, increased customer loyalty and purchase, improved stakeholder motivation, confidence, loyalty and satisfaction as the dimensions to measure the relationship.

Ruf et al (1998), Neville et al (2005)favors the stakeholder theory in order to investigate the relationship between CSR and financial performance. Davenport (2000), Carroll (2000), defines the CSR from the angle of stakeholders which are identified as customers, employees, shareholders, the ecological environment and local community.

Jawahar and McLaughlin (2001) found that in most studies "the reasons for expecting a relationship between CSR and financial performance are not clearly articulated".Hillman and Keim (2001) argue that a more detailed approach to studying the relationship between CSR and financial performance is necessary and this can be attained by focusing on the relationship between stakeholder management and financial performance, which, according to Berman and Wicks (1999) and Preston and Sapienza (1990) represents a neglected area of research.

Maignan and Ferrell (2001) and Brammer et al (2007) note that there is an abundance of studies on CSR and financial performance but considerably less research has addressed the impact of CSR on different stakeholder groups and the business benefits of CSR.

Lahdesmaki (2005),Matten and Moon (2008) suggested that in case of SMEs, CSR is derived from informal positive relationships that engender trust and reciprocity in network interactions between SMEs and their employees and local communities which pay them in the long run in the form of enhancement in the scale of their business.

Mariolina Longo, Matteo Mura and Alessandra Bonoli (2005) studied Italian SMEs to identify their principal managerial instruments used for the creation of social value by means of an improvement in company image, ensures the fidelity of customers and an improvement in relationships with employees and with the local community.

Van Beurden and Tobias (2008) performed a review of literature pertaining to the relationship between financial performance and CSR.A majority of the studies indicate a positive relationship, although there were instances of negative as well as no relationship between the two.

Eva-Maria Hammann, Andre Habisch and HaraldPechlanern (2009) studied the socially responsible business practices in German SMEs.It was found that socially responsible management practices towards employees, customers and to a lesser extent society have a positive impact on the firm and its performance. These practices in turn were assumed to result in perceived positive reactions of the respective stakeholders and subsequently to positively influence the firm's financial performance.

Hongxia Liu and Michelle Fong (2010)studied the CSR orientation of Chinese SMEson the basis of their internal functions.They found that despite SMEs participation and investment in training, job creation, quality assurance, and environmental sustainability, their involvement and action have not produced a statistically significant positive relationship with their financial performance.

Prior research suggests a number of drivers influencing ICT in small and medium-sized enterprises (SMEs).Carmichael et al., (2000) suggest that the key driver for SMEs to adoptICT is competition and customer feedback. SMEs realized that they need to remain competitive in order to survive, thus responding to customer feedback is an important weapon of competition.These operational benefits and response to competition needs clearly constitute the main driving forces that push firms up the adoption ladder.

ICT includes financial software, e-banking, and the internet and is considered one of the most common means of increasing revenue, achieving economies

of scale, and reducing unit costs (Mulligan & Gordon. 2002).

Beckinsale, Levy and Powell, (2006) stated that in the business to customer context, the internet and e-business can be effective tools for better communication. A corporate web site that provides information on products, services or technologies can enhance the quality of a firm's services to customers and attract new ones.

Alemayehu,(2005)identified the benefits of e-business on businesses stating their ability of enabling easy access to global market, adequate and efficient market research, removal of business intermediaries, reduced transaction costs and value creation.

ICT also enables larger volumes of up-to-date information to be readily obtained (Vasarhelyi& Greenstein, 2003) and it facilitates efficient management of finance. It also improves financial planning; optimizes financing and surpluses. It identifies financial risks that can then be monitored or hedged rapidly andsystematically.

Above literature review reveals that SMEs are generally believed to heavily emphasize economic imperatives rather than social goals, mainly because of their survival strategy and their relatively limited financial base. However, CSR participation of SMEs is reflected in their willingness and financial capability to play a significant role in discharging their social responsibility. The driving forces shaping the status of SMEs in terms of their actual behavior in regard to their community involvement suggested that SME managers are motivated towards CSR for the profit viability and growth of their businesses whilst also caring for customers and the community and environment.

Although the previous studies in this context gives us a frame work to proceed in the direction to assess and explore the nature of the relationship between CSR activities of SMEs through multistakeholder's framework and its impact on their financial performance.In this context to recognize the importance of SMEs and their sensitivities concerning the CSR practices, this research has employed structural equation modelling, to understand the interdependencies between CSR, ICT

adoption and financial performance.SMEs are incorporating ICTs in their operational activities as an enabler for integration, collaboration, knowledge management, procurement, process & product improvement, reduced transaction costs and for value creation.

Objective

The objectives of this paper are two fold;

- To explore the nature of relationship between CSR and financial performance with reference to stakeholder groups of the SMEs in the state of Rajasthan (India).

- To determine the effect of ICT adoption on CSR practices of SMEs and financial performance.

Sample & Data Collection

288 small and medium size firms of different sectors like ceramics, carpet, gems and jewellery,machine tools, textile, and other manufacturing industries belonging to the SME sector distributed all over the Rajasthan state were approached to take part in the study. In order to minimize variability due to size, firms were selected within a middle range of 25–100 employees. A structured questionnaire was used for the survey, and data was collected either through electronic mail or through the telephonic interview which were conducted with the owner–managers of the companies.The questionnaires were complete in all respect and hence included for the purpose of the analysis.

Research Methodology

This research explain the nature of the relationship between CSR, ICT adoption and financial performance in the context of SMEs and focus is on therelationship between stakeholder's management and financial performance which,according to Berman and Wicks, (1999) and Preston and Sapienza, (1990) represents aneglected area of research. For this purpose CSR was viewed to be implemented through the lens of multi stakeholder'sframework (Smith, 2003). The scales used for this study were adapted from previous researches in this domain and are measured usingthirty variables. As recommended

by Jöreskog (1993), and Anderson and Gerbing (1988), a two-step structural equation modeling procedure is employed in this study for estimating parameters: a measurement model followed by a structural model.

The measurement model is a confirmatory factor analysis (CFA). In the study second-order CFA has been used so as to provide a more parsimonious account for the correlations among the lower-order factors. Table I show the scale used for the purpose of the present study.

In line with current literature (Agle and Mitchell, 2008) CSR was viewed to be implemented through stakeholder theory and the main stakeholders include; the environment, community, customers and employees. The following section analyses the extent of various activities undertaken for the benefit of each of these stakeholders.

Environment

Environmental performance of the firm is defined in terms of "Firms implement specific CSR strategies that focus on maintaining the environmental integrity and protection that goes beyond regulatory compliance to focus on innovation, eco efficiency, pollution prevention and environmental leadership, with the aim of minimising a firm's ecological impactalong the entire product life cycle.

Customers

As customers being the important part of value chain, hence it is the duty of the firm to provide them the quality product. The quality must not relate to the product alone, with regard to its characteristics, and period of use, in order to guarantee its safety, but also to the relationship with the company by means of an organisation that focuses on facilitating a good rapport and on giving the customers the opportunity to forward, proposals, suggestions and complaints.

Employees

Standing (1996, 1999) in his model termed "Human Development Enterprise", maintains that a business that is socially responsible must guarantee within its structure those mechanisms that can ensure the development of collaborators, in terms of opportunities to improve and multiply their skills,

health and safety programs, discrimination free social equality, economic equality and democracy.

Community

For SME, CSR-related activities are shaped through the embeddedness of the firm in social ties and local inter-dependences (Murillo and Lozano, 2006). The term 'community' is a synonym of "local community" that Parsons, (1995) defines as a specific type of collectivity whose member shares a territorial area as an operation base for their daily activities. Hence it is the obligation for the firm to create added value for the community in terms of local employment which brings economic well-being.

ICT Adoption

ICT adoption is defined in the terms of market development as it helps in creating new business opportunities, gathering information about potential markets, creating a global image and a means of providing better customer service. It helps in increasing the efficiency through online sales and operation, cost reduction in advertising expenditures, providing more effective promotion, increase in sales. It allows the ease of accessibility as it facilitates low-cost communication, 24 hrs accessibility, easy access to potential customers, easy access to international markets. The alleged popularity of e-business adoption is due to a multitude of perceived operational benefits it could bring to purchasing practices, for example cost savings resulting from reduced paper transactions; shorter order cycle time and subsequent inventory reduction etc.

Financial Performance

The perception of the SME owners were measured towards the long term economic outcome of the firm as a result of their CSR activities with respect to change in profit margin of the firm, satisfaction with change in profit margin, change in sales revenue of the firm, and satisfaction with change in sales revenue.

Results of Data Analysis

Measurement Model

IBM AMOS 19 software was used to perform CFA. The analysis focused on one second order latent

variable i.e. Corporate Social Responsibility (CSR); five first order latent variables viz. Environment (Env), Customers (Cus), Employees (Emp), Community (Com), Financial Performance (FP), ICT Adoption (ICT); and 30 observed variables. CFA provides an assessment of the reliability and validity of the observed variables for each latent (first and second-order) variable (Jöreskog and Sörbom, 1982). Under the assumptions of multivariate normality, MLE is considered most appropriate with large samples (Jöreskog and Sörbom, 1982). As the data satisfied the assumptions of univariate and multivariate normality MLE was used. The constructs under consideration (CSR, ICT and FP) are jointly analysed in a measurement model.

In the measurement model, degree of variance (of construct) is measured by squared factor loadings. Observed variables are considered to have higher explanatory power when the squared factor loading for each one is more than 0.50, moderate if between 0.30 and 0.50 and poor if below 0.30 (Holmes-Smith, 2001).

The model fit was assessed using CMIN/DF, goodness-of-fit index (GFI), the comparative fit index (CFI), root mean square error of approximation (RMSEA), Tucker-Lewis coefficient (TLI) and adjusted goodness of fit index (AGFI). The threshold for CMIN/DF should be less than 3.0 (Hu and Bentler, 1999) or less than 2.0 in a more restrictive sense. However, CMIN is affected by sample size and normality of the data (Schumacker and Lomax, 2004). Therefore, the CMIN test should be used in combination with other indices. Values of GFI, AGFI, TLI and CFI should be over 0.90. Moreover RMSEA should be lower than 0.05 to indicate a close fit of the model in relation to the degree of freedom. These fit statistics are evaluated to determine whether the predetermined model best explain the relationships between the observed and latent variables or not.

The proposed measurement model showed that all regression weights were significant (p <0.001). The absolute fit statistics showed a chi-square of 553.357 with 398 (df) was significant (p = .000) [CMIN/DF = 1.390] with RMSEA = 0.037, CFI = 0.962, and TLI = 0.959. This suggested that the model was acceptable, moreover other fit indices viz. GFI =

0.891 and AGFI = 0.872, were also supportive. The results suggested that the model fitted adequately to the data.

All factor loadings for items measuring the same construct were statistically significant and were greater than 0.50, (except for two observed variables in ICT) which confirmed the convergent validity of the model. ICT4 and ICT3 were lower than the theoretical cut-off as they were given low ratings by the respondents. However, taking into consideration the theoretical importance of the variables the same were retained in the study. Covariance among the factors (CSR, ICT and FP) were significant (p <0.01). Given that the model fitted the data adequately re-specification was not required. Moreover, composite reliability (CR) and average variance extracted (AVE) was calculated to test the convergent validity. Bagozzi and Yi (1988) recommended that CR should be equal to or greater than .60 and AVE should be equal to or greater than .50. **Table II** displays the summary results of CFA. Although CR was acceptable, AVE was lower in one of the constructs (ICT). However, the CR and AVE calculated for the second-order construct was satisfying the minimum cut off set in theory. Hence it could be concluded that the measures used within this research were within the acceptable levels supporting the reliability of the constructs. Additionally, all factor loadings for items measuring the same construct were statistically significant. Hence convergent validity of the constructs was established.

Having analysed the measurement models for unidimensionality, reliability, construct validity, and convergent validity the next stage was to perform the analysis of the structural model.

Structural Model

Structural Equation Modelling (SEM), a multivariate technique which allows for the examination of a set of relationships between multiple independent and multiple dependent variables (Smith, 2004) was employed in this research to test the relationship between CSR and financial performance. To evaluate the structural model, goodness-of-fit indices were examined to assess if the hypothesized structural model fitted the data. Because the assumptions underlying structural

equation modelling were met the coefficient parameter estimates were examined along with the overall model fit indices to test the relationship between the three latent constructs (CSR, ICT and FP). The indices for goodness-of-fit demonstrate that this model fits the data adequately (Chi-square = 553.357, df = 398, p = .000). The GFI = .891, AGFI = .872, RMSEA = .037, CFI = .962, TLI = .963, and CMIN/DF = 1.390. The R^2 for the model came to 0.13. The structural model is depicted in Figure I.

The structural model shows that weak to moderate support is evident for the paths of ICT!CSR, ICT!FP, and CSR!FP with path coefficient values of 0.25 (Z value -2.60), 0.28 (Z value -2.80), and 0.16 (Z value -2.06) respectively (p < 0.05). The model explained 57 per cent of the variance in environment (Env), 74 per cent of the variance in customer (Cus), 71 per cent of the variance in employee (Emp), 45 per cent of the variance in community (Com), 6per cent of the variance in corporate social responsibility (CSR), and 13per cent of the variance in financial performance (FP). This showed that information communication technology and corporate social responsibility contributed positively towards improving financial performance of SMEs.

Findings

Relation between ICT Adaption and CSR

Corporate Social Responsibility (CSR) has come to the forefront of business organisations because of the increasingly globalize nature of business and the so-called New Economy, a knowledge-based, technology-driven environment that has, among other things, affected an increase in stakeholders access to information.

With the increasing global penetration of computers and networks enabled by the Internet (Chinn and Fairlie, 2007), there are many studies indicating the adoption of ICT positively impacts concepts such as creating the global image of the firm which enhances the visibility of their product & services(Puri, 2007). The profound effect of the IT revolution concerns the breaking down of geographical boundaries andplays an imperative role in more effective promotion with low-cost of communication which results into cost reduction of advertising expenditures.

Results also suggested that ICT enhances the retention of employees, thus decreasing costs (Naude, 2009), promotes community and environmental stewardship (Nelling and Webb, 2006), and increases market value (Barnett, 2007). These benefits lead to the conclusion that improving the implementation of CSR will result positively for SMEs as well as their employees and society as a whole.

Relation between CSR and Financial Performance

The findings indicate a weak positive relationship between CSR and financial performance. The results are in conformance with previous researches (Da Rocha, 2006; Weber and More, 2003) which similarly reported a weak positive (significant) relationship between these two variables. However, this relationship indicates that the majority of respondents felt the financial implications of CSR are experienced in the long term. Thus, CSR can be viewed as a long term investment.

Relation between ICT Adaptation and Financial Performance

This study examines the relationship between ICT adoption and financial performance in 288 SMEs operating in Rajasthan. The major finding was the positive relationship between market development and financial performance. The finding of the positive link for SMEs between ICT and Financial performance appear to be especially important for India, where SMEs account for significant share of economic activity.

Conclusion and Implication

The measure of CSR indicates a good fit. The model is not only "fits" well but is in line with current literature on the topic and previous research undertaken in this area. CSR in emerging market economies like Brazil, India, and South Africa have been found to be quite comparable to that in developed economies (Baskin, 2006). In this study, we examined the state of CSR in one important emerging economy, India, and found that similar to the dominant Western paradigm, Indian firms also approach CSR primarily from a stakeholder perspective, driven primarily by the "caring" model.

Various other insights have been gained as a result of this study. First, the results support the notion that employees, customers and environment are the most important stakeholders for SMEs. In particular, respondents agreed that the value orientation towards employees is very important. This is consistent with the literature, where virtually every attempt to identify stakeholders lists employees as stakeholders whose interest must be taken into account by managers and organizations. As employees are critical for the success and failure of any company (Clarkson 1995), they have to be seen as an important firm resource. However, the firms should be focusing more on activities benefiting the employees and should spell out its indiscrimination attitude in its HR policy. This would further enhance the competitive advantage of the firm. It is also evident from this study that the management of the relationship with a firm's key stakeholders, particularly customers, is connected to financial performance (Delery & Doty 1996, Berman et al.1999). Satisfied customer will ultimately lead to a better economic performance of the firm and the SMEs of the state are well aware of the same.

Researchers also found that ICT adoption plays a role of catalyst in strengthening the CSR activities and subsequently improving the financial performance of the firm. Moreover most of the firms have a strong belief that the financial implications of CSR are experienced in the long run. Most of the SMEs adopt the ICT with the vision of sustainable development through taking care of their respective stakeholders.

As business enterprise is part of a social unit and a greater involvement with community in the form of employment generation for the local youths, purchasing policy favouring local enterprises, and undertaking community projects which give a unique identity of the firm are facilitated by ICT adoption and are to be augmented with a long term prospective. This long term association would help the firm in improving their own financial performance.

Thus despite the forces of globalization and resulting increase in competition and the pressure to be profitable, SMEs still view CSR primarily from a caring or values driven mentality which is eventually important for their long term sustenance.

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Table I : Items Showing CSR Strategies

S.No	Authors	Factor	Variables
1.	Maignan and Farrell (2000), Spiller (2000), Gildea(2001),Ashridge (2005)	Environment	Pollution reduction
			Energy Conservation
			Recycling
			Environmentally friendly packaging / containers
			Waste management
2.	Clarkson (1995), Davenport (2000), Spiller (2000), Wulfson, (2001), Gildea (2001), Ashridge (2005)	Customers	Clear and accurate information
			Issue of accessibility (disabled customers) been considered in the company
			Quality assurance criteria
			Value to customers
			Resolve customer complaints in a timely manner
3.	Davenport (2000), Spiller (2000), Hopkins (2003),Ashridge (2005), Gulyas (2009)	Employees	Commitment towards the health and safety of employees
			Work/life balance among employees
			Encourage employees to develop real skills and long term careers
			Activities for employees benefit
			Anti-discrimination policy
			Briefing with employees
4.	Spiller (2000), Davenport (2000), Moore (2001), Bessera and Miller (2001), Hopkins (2003), Ashridge (2005), Brammer and Millington (2006), McGehee et al (2009)	Community	Companies recruitment policies that favour the local communities
			Companies purchasing policies that favour the local communities
			Involvement in a project(s)with the local community
			Employees volunteer on behalf of the firm
			Donate to charity
5.	Stanwick and Stanwick (1998), Moore (2001)	Financial Performance	The financial implications of CSR are experienced in the long term
			Change in profit margin of the firm
			Satisfaction with change in profit margin
			Change in sales revenue of the firm
			Satisfaction with change in sales revenue
6.	Yu &Tao (2009), Wole Olatokun & Busola Bankole (2011)	Information Communication Technology	Market development
			Efficiency of sales and promotion
			Ease of accessibility
			Cost reduction

Table II : Summary of Confimatory Analysis

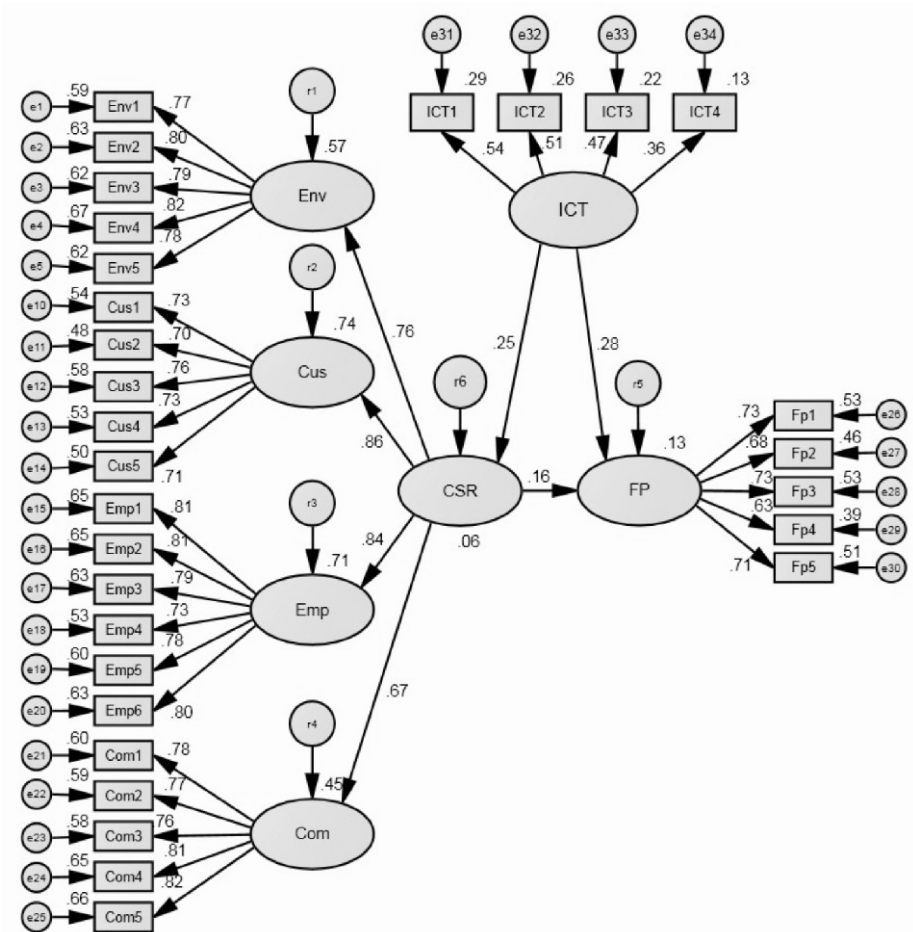| Variable Label	Final Standardised Loadings	Average Variance Extracted (AVE)	Composite Construct Reliability (CR)
Com1	0.777	0.62563	0.83337
Com2	0.768		
Com3	0.760		
Com4	0.808		
Com5	0.815		
Cus1	0.732	0.52645	0.77286
Cus2	0.695		
Cus3	0.763		
Cus4	0.730		
Cus5	0.707		
Emp1	0.808	0.61572	0.85879
Emp2	0.808		
Emp3	0.793		
Emp4	0.725		
Emp5	0.775		
Emp6	0.796		
Env1	0.769	0.61796	0.83815
Env2	0.795		
Env3	0.785		
Env4	0.819		
Env5	0.785		
Fp1	0.727	0.51236	0.73977
Fp2	0.682		
Fp3	0.726		
Fp4	0.626		
Fp5	0.714		
ICT1	0.542	0.22484	0.50170
ICT2	0.505		
ICT3	0.467		
ICT4	0.364		
Com	0.668	0.61703	0.86462
Cus	0.862		
Emp	0.840		
Env	0.757		

Figure I : Structural Model