



## The economic impact of CSR initiatives by MSMEs on local community development: Evidence from Navi Mumbai

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### Abstract

In the modern economy, Corporate Social Responsibility (CSR) refers to ethical business practices and has become an indispensable aspect of the business environment. Although CSR is generally associated with large companies, Micro, Small and Medium Enterprises (MSMEs) also contribute to the social and economic development of their local communities. Since MSMEs operate closer to the community, they are well positioned to support local welfare and development activities.

The ambit of this study is confined to examine the impact of CSR initiatives undertaken by MSMEs on community development in Navi Mumbai. The study focuses on areas such as employment generation, educational support, environmental sustainability, and overall community welfare. A descriptive research design was used, with primary data collected through structured questionnaires from residents and individuals associated with MSMEs in Navi Mumbai. Secondary data was collected from research articles and reports related to CSR and MSMEs.

The findings reveal that CSR initiatives by MSMEs positively contribute to social and economic development as well as environmental sustainability. However, challenges such as limited financial resources and lack of structured CSR practices affect their efficacy. Overall, the study highlights the importance of supporting CSR activities among MSMEs for long-term community development.

**Keywords:** Corporate Social Responsibility, MSMEs, Community Development, Economic Impact, Navi Mumbai, Sustainable Development.

### Introduction

CSR refers to the voluntary efforts of organizations to conduct business ethically while contributing to economic development and improving the quality of life of employees, local communities, and society. Over the years, CSR has become an important part of business strategy.

The introduction of the Companies Act, 2013 made CSR a formal requirement in India, where certain companies must allocate 2% of their profits towards CSR activities. Although this applies mainly to large companies, MSMEs also contribute to social development through informal CSR practices.

MSMEs play a key role in the Indian economy by generating employment and supporting regional development. In urban areas like Navi Mumbai, these enterprises are involved in sectors such as manufacturing, retail, logistics, and services. Due to their close connection with local communities, they are able to identify and respond to local needs effectively. Many MSMEs engage in CSR activities such as supporting education, environmental protection, and community welfare. Even though these activities may not always be formally structured, they still contribute to the overall development of the community.

This study aims to examine the role of CSR initiatives by MSMEs and their impact on local community development in Navi Mumbai.

### Literature Review

Carroll (2016) <sup>[1]</sup> explained CSR as a term that incorporates economic, legal, ethical, and philanthropic dimensions of businesses. The study throws light on the fact that CSR can

help in improving a company's image while also contributing to society in the long run.

Kotler and Lee (2005) <sup>[2]</sup> analysed ways in which organizations can integrate CSR into their business strategies. Their studies suggested that activities like education support, environmental protection, and community development help businesses build strong relationships with society and improve customer trust.

Sharma and Kiran (2013) <sup>[3]</sup> showcased CSR practices in small and medium enterprises in India. Their findings show that SMEs actively contribute to society through informal CSR practices such as employment generation, community support, and local development activities.

Jamali, Zanhour, and Keshishian (2009) <sup>[4]</sup> examined CSR in SMEs and found that these businesses engage in CSR mainly because of their close relationship with local communities. Their actions are based on personal values rather than formal CSR policies.

Murillo and Lozano (2006) <sup>[5]</sup> also found that many SMEs are involved in CSR activities without having formal structures. Their study highlights that SMEs contribute to sustainable development through environmental initiatives and employee welfare practices.

A study by Jenkins (2006) <sup>[6]</sup> highlighted that SMEs play a significant role in promoting sustainable development due to their flexibility and close community ties. The study also pointed out that lack of resources often limits their CSR activities.

Spence (2007) <sup>[7]</sup> emphasized that CSR in small businesses is mostly informal and driven by ethical values rather than rules. The study shows that small businesses contribute to

their communities in meaningful ways despite limited resources.

Reports by the Ministry of Micro, Small and Medium Enterprises highlight the importance of MSMEs in employment generation and regional development in India. Similarly, NITI Aayog reports suggest that MSMEs have strong potential to contribute to inclusive growth and sustainable development if supported with proper policies and awareness.

Overall, previous studies indicate that CSR activities by MSMEs play an important role in community development, but challenges such as lack of funds, awareness, and formal structure still exist.

**Relevance of the Study**

There are multiple ways in which small-to-medium enterprises are involved in bringing about social and economic progress by participating in responsible corporate social responsibility (CSR) activities. This is particularly true for MSMEs operating in regions such as Navi Mumbai, where they are highly connected with local communities. However, due to limited resources and lack of formal processes, the impact of these contributions is not always clearly visible to stakeholders. Therefore, this study examines how CSR activities undertaken by MSMEs support community development and economic improvement.

**Objectives of the Study**

1. To understand the concept of CSR practices among MSMEs.
2. To examine the types of CSR initiatives undertaken by MSMEs in Navi Mumbai.
3. To analyze the economic impact of CSR activities on local community development.
4. To evaluate the role of MSMEs in improving social and economic conditions in surrounding communities.

**Hypothesis of the Study**

**H0:** CSR initiatives undertaken by MSMEs do not have a significant economic impact on local community development in Navi Mumbai.

**H1:** CSR initiatives undertaken by MSMEs have a significant economic impact on local community development in Navi Mumbai.

**Scope of the Study**

The scope of this study is limited to examining CSR initiatives undertaken by MSMEs operating in Navi Mumbai and their economic impact on nearby communities. The study focuses on areas such as employment opportunities, education support, environmental activities, and community welfare programs.

**Limitations of the Study**

The study is limited to a specific geographical area, namely Navi Mumbai. The sample size is limited and may not fully represent all MSMEs in the region. Some respondents may not have complete awareness about CSR activities undertaken by MSMEs.

**Methodology**

**Primary Data:** Data was collected through structured questionnaires from residents and individuals associated with MSMEs.

**Secondary Data:** Research journals, government reports, articles, and academic sources were used.

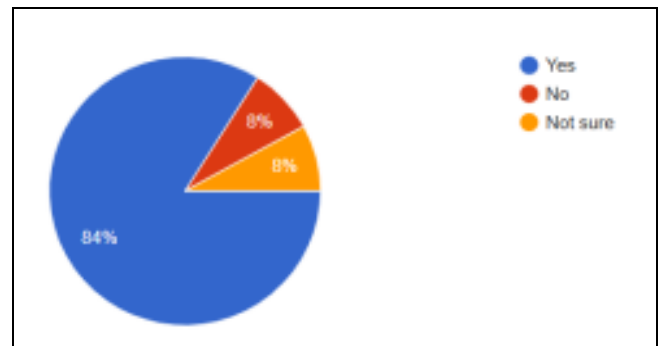
**Statistical Tools:** Percentage analysis, charts, and tables

**Sample Size:** 107 respondents

**Data Analysis & Interpretation**

**Table 1:** Awareness of CSR Activities

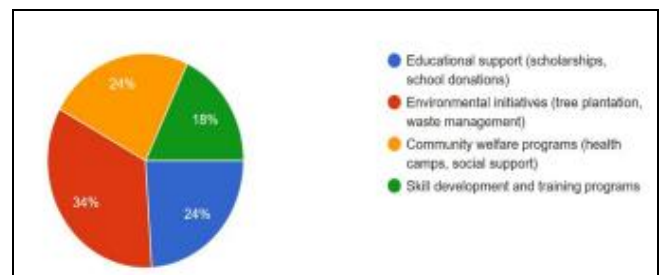
Responses	Number of Respondents	Percentages
Yes	83	84%
No	12	8%
Not sure	12	8%
Total	107	100%



**Interpretation:** A large majority of respondents are aware of CSR activities, indicating high awareness in the community.

**Table 2:** Types of CSR Activities Observed

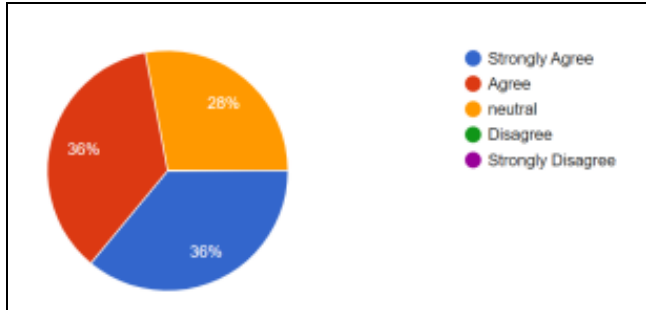
Responses	Number of Respondents	Percentages
Educational support (scholarships, school donations)	26	24%
Environmental initiatives (tree plantation, waste management)	42	34%
Community welfare programs (healthcamps, social support)	26	24%
Skill development and training programs	13	18%
Total	107	100%



**Interpretation:** Environmental initiatives are the most commonly observed CSR activities.

**Table 3: CSR Contribution to Economic Development**

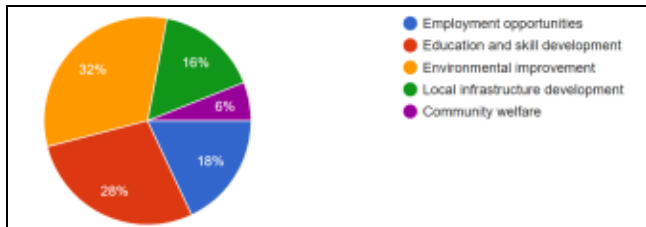
Responses	Number of Respondents	Percentages
Strongly agree	39	36%
Agree	41	36%
Neutral	27	28%
Strongly disagree	0	0%
Disagree	0	0%
Total	107	100%



**Interpretation:** Most respondents believe CSR positively contributes to economic development.

**Table 4: Area Benefiting Most from CSR**

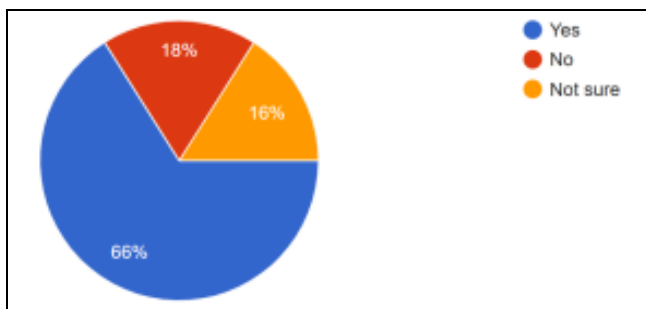
Responses	Number of Respondents	Percentages
Employment opportunities	13	18%
Education and skill development	38	28%
Environmental improvement	43	32%
Local infrastructure development	10	16%
Community welfare	3	6%
Total	107	100%



**Interpretation:** Environmental improvement is considered the most benefited area.

**Table 5: Direct Benefit from CSR**

Responses	Number of Respondents	Percentages
Yes	84	66%
No	13	18%
Not sure	10	16%
Total	107	100%



**Interpretation:** A majority of respondents have directly benefited from CSR initiatives.

**Hypothesis testing**

**H<sub>0</sub> (Null Hypothesis):** CSR initiatives by MSMEs do not have a significant impact on local community development.

**H<sub>1</sub> (Alternative Hypothesis):** CSR initiatives by MSMEs have a significant impact on local community development.

**Chi-Square Test**

Category	Observed (O)	Expected (E)	(O-E) <sup>2</sup> /E
Agree	80	35.67	55.07
Neutral	27	35.67	2.11
Disagree	0	35.67	35.67

**Chi-Square Value ( $\chi^2$ ): 92.85**

**Degrees of Freedom: 2**

**p-value: < 0.05**

**Result:** The null hypothesis is rejected.

**Outcome:** CSR initiatives undertaken by MSMEs have a significant impact on local community development in Navi Mumbai.

**Findings from Data**

- A large majority (84%) of respondents are aware of CSR activities carried out by MSMEs, indicating a high level of awareness in the community.
- Environmental initiatives such as tree plantation and waste management are the most commonly observed CSR activities.
- Most respondents (around 74%) believe that CSR initiatives contribute positively to local economic development.
- Environmental improvement and education are seen as the areas that benefit the most from CSR activities.
- A significant number of respondents (66%) reported that they or their community members have directly benefited from CSR initiatives.
- The results also indicate that MSMEs have a direct and visible impact on community welfare, especially in environmental and educational areas.

**Conclusion**

The study concludes that CSR initiatives undertaken by MSMEs have a positive impact on local community development in Navi Mumbai. The findings show that these activities contribute to environmental improvement, education, employment, and overall social welfare. Although many MSMEs engage in CSR activities, challenges such as limited resources and lack of formal structure still exist. With better support and awareness, MSMEs can play an even more important role in sustainable community development.

Artificial intelligence (AI) tools were used to assist with language editing and formatting.

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