

Background

Small and Medium Enterprises (SME) have a strategic role in national income and the reduction of unemployment. Indonesia's economy is dominated by SMEs. Development of SMEs need to get attention from both government and the community in order to grow more competitive with other economic actors. Free trade have great implications on the growth of SMEs. AFTA and APEC have broad implications for small and medium enterprises to compete in free trade. SMEs required to undertake the production process efficient and produce the products according to global quality standards such as the issue of quality (ISO 9000), environmental issues (ISO 14000), and the issue of human rights (HAM). This issue is often used unfairly by developed countries as a barrier (Non Tariff Barrier for Trade). Therefore, when SME go international especially into developed economies, SME need to realize explicit CSR policies. CSR is an investment in securing a continued license to operate. It reduces the risks of shutdown and sustains industrial and future growth of the company (Wall, 2008).

Corporate social responsibility (CSR) has been a widely discussed topic primarily from the view point of multi-national corporations (MNCs). CSR in small- and medium-sized enterprises (SMEs) is a relatively new topic in research. CSR in SMEs has received limited consideration (Spence, 1999). There are several limitation that SMEs face when trying to implement a CSR agenda. Many SME do not implement CSR as their perception that CSR is a burden and a financial cost (Morsing and Perrini, 2009). While SMEs have traditionally been presented as non-entrepreneurial in CSR, this paper demonstrates how SMEs can take advantage of the opportunities presented by CSR and maximise the business benefits from making the most of such opportunities. This project aims to fulfill this need by providing an extremely comprehensive analysis.