

CORPORATE SOCIAL RESPONSIBILITY OF SMALL AND MEDIUM ENTERPRISES IN INDIA

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INTRODUCTION

Businesses provide number of benefits to the society. They innovate and develop new products and services for the society. They provide employment and generate income help in increasing exports and thus increase foreign exchange reserves of the country. They also pay taxes and increase the revenue of the government. But this is only one side of the coin the other side is that they exploit natural resources, exploit human resources by paying labour less and making them work more, spread pollution and harm the environment, sell harmful products like cigars and liquor, cause global warming and acid rain etc. All these raises questions about Corporate Social responsibility. Are businesses responsible to the society or what are their social responsibilities?

What is corporate social responsibility and why corporate social responsibility? It is argued that businesses work for profit and corporate social responsibility will increase cost and thus profits will be reduced. Corporate Social Responsibility or corporate social responsibility (CSR) activities are an integral part of any professional organization. According to Guy Ryder , General Secretary of the International Confederation of Free Trade Unions, 'corporate social responsibility is it not about philanthropy, but about fundamental business practices'. A study conducted by Stephen Erfle and Micheal Frantantuono found that those firms which were ranked highest in terms of their social responsibility also ranked higher in their financial performance as well. Any sales promotion activity will increase short term profits but fulfilling social responsibility results in long term gains. There are large number of instances of corporate working towards their social responsibility and getting benefited by it, but majority of them are confined to big giants.

Significance of Small and Medium Enterprises Sector In Indian Economy

It is normally believed that the Multi National Corporations contribute a large part of total production and therefore they should fulfill their corporate social responsibility. But statistics tell different story. According to official data released by some of the most well known research agencies, it has been found that more than 90% of businesses across the world is accounted by Small and Medium Enterprises. Notably, the small and medium sized firms also provide employment to over 50% of world population. It can thus be said that the Small And Medium Enterprises play a pivotal role in ensuring overall development of a country. But when it comes to the question of shouldering corporate social responsibility (CSR) only a handful of small firms are seen successful.

In India also the Small scale sector is a very important sector. It contributes significantly to India's GDP and export earnings besides providing employment opportunities to millions of people across the country. According to an OECD Conference on enhancing role of Small And Medium Enterprises in Global value Chain Analysis, large scale sector constitutes only 20% of India's GDP while remaining 80% is from Small And Medium Enterprises which includes all types of businesses not only industries. Even when there was global recession the performance of small scale sector was not affected. The RBI report observes that since they are in the production of goods with low income elasticity they were not affected by recession. On the other hand they were actually growing in importance. The following table proves this.

Table 1. Performance of Micro and Small Enterprises (at 2001-02 prices)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 *
Number of Units (Lakh numbers)	109.49	113.95	118.59	123.42	128.44	133.68
Employment (Lakh persons)	260.21	271.42	282.57	299.85	312.52	322.28
Fixed Investment (Rupees crore)	1,62,317	1,70,219	1,78,699	1,88,113	2,13,219	2,38,975
Production (at constant prices) (1993-94) (Rupees crore)	3,06,771	3,36,344	3,72,938	4,18,884	4,71,663	5,32,979
Exports from MSMAALL AND MEDIUM ENTERPRISESs (Rupees crore)	86,013	97,644	1,24,417	1,50,242	1,77,600	-
Growth Rate of the MSE sector (Per cent)	8.68	9.64	10.88	12.32	12.60	
Percentage Contribution of MSE to GDP at 1999-2000 prices	5.91	5.79	5.84	5.83	5.94	-

Source: RBI report on Trends in Select Micro and Small Scale Production Items during Phases of Industrial Slowdown by Indrani Manna

Note: *: Projected.

The number of units in 2002-03 was 109.49 lakhs which increased to 133.68 lakhs by 2007-08. There was commendable increase in employment, fixed investment, production, growth rate and percentage contribution to GDP also the growth rates of the variables showing the performance of Small and Medium Enterprises are shown in the table 2 below.

Table 2.

	Growth rates in percent from 2002-03 to 2007-08
Number of Units (Lakh numbers)	22.09
Employment (Lakh persons)	23.85
Fixed Investment (Rupees crore)	47.23
Production (at constant prices) (1993-94) (Rupees crore)	73.74
Exports from MSMAALL AND MEDIUM ENTERPRISESs (Rupees crore)	
Growth Rate of the MSE sector (Per cent)	106.48
Percentage Contribution of MSE to GDP at 1999-2000 prices	

The table shows that there is increase of 22.09% in number of units under Small and Medium Enterprises sector. Employment has increased by 23.85%, fixed investment has increased by 47.23%, production increased by 73.74%, Exports increased by 106.48% within the period of 5 years. This shows its growing importance.

CSR for Small and Medium Enterprises sector

The concept of Corporate Social Responsibility is very popular amongst big corporations but Small and Medium Enterprises are lagging behind. CSR is still in its infancy for Small and Medium Enterprises They can play a big role in helping the society by boosting their CSR initiatives. They can provide a helping hand to small communities or by helping NGOs in their efforts. They can take variety of steps like conservation of natural resources, protection of environment, steps for eradication of illiteracy, adult education, spreading awareness in rural areas about health care etc. They can also take steps to reduce child labor in the country.

Small and Medium Enterprises often face stiff competition from the large corporations when it comes to bagging fresh orders or retaining their existing clients. As a result, a growing number of small and medium sized companies are laying emphasis on their CSR activities. However, some of these small businesses are taking a prudent approach while dealing with their CSR initiatives as they are finding it quite challenging to meet the costs involved in carrying out these initiatives. Some of the ways on through which they can focus on CSR activities are

Allocate a fixed amount in budget for funding their CSR initiatives

Allocating a fixed amount for CSR can help the organizations to make sure that they have a clear idea about the funds that will be utilized for carrying out the CSR proposals. This helps in ensuring that unnecessary expenditures are avoided to a large extent.

Select the some of the appropriate initiatives according to the requirement of the community of the place

It is not necessary for the Small And Medium Enterprises to follow the large corporations on this front, as there are various ways in which these initiatives can be performed at a limited

budget. For example if the company is dealing in readymade garments it can provide clothes for orphans in orphanage once in a year. Or if there is no school in the area it can set up a small school for the children. It will be useful not only to the local people but also to the employees of the company.

Seek cooperation from stake holders

Employees and other stake holders can be given an integral role in the organization by getting them involved in CSR activities. For this, employees and other stake holders can be encouraged to donate generously or offer aid in the form of products that can be extended for such activities.

Seek cooperation from the residents and other beneficiaries

If you have taken some CSR initiatives you can seek cooperation from not only from stake holders of your company but also from the residents and other beneficiaries of the area. Suppose you are supplying clothes in orphanage then you can request the local people to drop the clothes which their children are not using and along with your company's products you can supply these clothes also in the orphanage.

Along with taking up CSR initiatives it also necessary to make people know about your initiatives. For this purpose effective promotion is required. Promotion or your CSR measures can be done through following some of the measures listed underneath:

1. Make your staff aware of your CSR initiatives. They are your best spokes persons.
2. Make best use of the intranet, website, newsletters, meetings, staff award schemes and community corridors to showcase your activities and events towards CSR.
3. Make use of local, regional and national media to showcase your activities.
4. Keep your customers, suppliers, investors and other stakeholders informed of what you are doing.

Benefits that Small and Medium Enterprises can derive from their CSR initiatives:

1. CSR initiatives will improve their long term profitability
2. Large number of SMEs is sick. They can revive by focusing on their corporate social responsibilities.
3. They can improve their public image and image in the society and thereby they can improve their financial performance.
4. There will be better retention of employees. The attrition rate will decline.

Small And Medium Enterprises have started moving ahead and to promote CSR initiatives amongst them The Energy and Resources Institute (TERI), along with HSBC, has announced the HSBC Living Business Small And Medium Enterprises Awards, recognizing the social commitment of Small and Medium Enterprises. This year, 42 nominations were received for the awards, and the winners are:

1st Prize: Marco Food Products for building a school imparting free education to underprivileged children of Ratnagiri district.

2nd Prize: Impetus Infotech (I) Pvt. Ltd., for its community initiatives like English-speaking workshops, blood donation camps, donation of study and relief materials, sponsoring education of orphans, etc.

Special Prize: Sport Goods Foundation of India for working towards the prevention and rehabilitation of child labour in the sporting goods industry. It has also set up transitional schools for children, and has created 52 SHGs covering 1000 families (HSBC Living Business Awards for Small And Medium Enterprises: TERI and HSBC recognize CSR efforts in Small And Medium Enterprises Sector).

CONCLUSION

Thus, to conclude that, corporate social responsibility is not just the responsibility of big giants but also of small and medium enterprises too. Unless they come and shoulder their responsibility towards the society in a big way large Multi National Corporations cannot do much because they constitute a very small percentage in the economy and large number of enterprises come in SME sector. And in fact large number of SMEs have started moving ahead towards achievement of this goal and they are benefited also.

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