A STUDY ON EMERGING CHALLENGES FACED BY SSI

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ABSTRACT

The word corporate social responsibility stems from a commitment to the society in which a business operates. Corporate Social Responsibility (CSR) is basically a concept whereby companies decide voluntarily to contribute for betterment of society and safeguard the environment but it is a big challenge for small scale industries. Every organization invariably, is it big or small, have started to understand the need of the corporate social responsibility.

The concept of Corporate Social Responsibility (CSR) has come into the policy landscape due to the new Company Bill 2012, which envisages a statutory responsibility on the companies of spending two percent of their profit on the non-business socially relevant activities primarily aimed at the localities where they are undertaking their business. MNCs & big corporate companies are able to fulfill the above legal requirements but small scale industries don’t have even that much of money to spend on development of society as after liberalization reforms MNCS entered in India which drastically affected the growth & development of small scale industries. Because of that they are lacking behind to fulfill the need of society and still it is a challenge for small scale industries to provide good infrastructure for society, employment opportunities for people, tax revenue to government, innovative products to customers. Organizations that operate in society help to determine or to slow down its economic and social growth. So it is logical to think that, just like any other entity, a company is responsible to the society that it belongs to and in which it operates.

If small scale companies shift there thinking away from merely selling to CSR, than they will begin to see opportunities which they never imagined once, after understand what it means to ‘wow’ that customer by giving them more than they expected!

The business of business should not be about money. It should be about responsibility. It should be about public good, not private greed.

Keywords: Corporate Social Responsibility; Sustainable Development; Stakeholders; Community; MNC’s; Regulatory bodies; CSR Policies; CSR Committee
INTRODUCTION
This paper examines the multidisciplinary concept of Corporate Social Responsibility (CSR) in relation to Small and Medium Enterprises (SMEs). While CSR has continued to be a popular topic of investigation since the early 19th century, it has gained momentum in recent years as academics and practitioners started recognizing the social and environmental impact of SMEs on society. Since large organizations have always been the focus of CSR studies, socially responsible activities in the SME sector are often disregarded and misjudged. These judgements are based on a range of unfounded assumptions derived from large organizations. As a result, the social responsibility approach of SMEs has, until recently, remained largely unexplored.

OBJECTIVES OF THE STUDY
1. To know the emerging trends faced by SSI from various parties.
2. To know the new insights of government rules towards adoption of CSR.
3. To know the contribution of SSI towards various Stakeholders.
4. To know the problem faced by SSI.
5. To study the different areas where the focus of SSI is needed.

RESEARCH METHODOLOGY
Research methodology refers to research process. It is a systematic process, which is undertaken to study the research problem and arrive at conclusion.

Research methodology plays a very important role in this context as it includes the collection of data. The data will be collected in two ways Primary and secondary data.

This paper is prepared with the blend of theoretical knowledge consist of secondary data

In secondary data, the main source of information will be carried out from Internet, which will be supported by the extracts from:

1. Newspapers
2. Magazines
3. Journal
4. Books

A Word about CSR
The concept of Corporate Social Responsibility was first mentioned 1953 in the publication ‘Social Responsibilities of the Businessman’ by William J. Bowen. Corporate social responsibility is basically a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. Corporate social responsibility is represented by the contributions undertaken by companies to society through its business activities and its social investment. An obligation to constituent groups and society other than stockholders and beyond that prescribed by law and union contract. Being an integral part of the society, enterprises should fulfill social obligations, social responsibility and social responsiveness.

“Corporate Social Responsibility (CSR) refers to an organization's commitment to operating in an ethical way that takes into account profit, people and and planet, thus integrating economic, social and environmental imperatives into their activities.”

A Word about SSI
The industries which are organized on a small scale and produce goods with the help of small machines, hired labour and power are called as small scale industries.
The small scale industries may sound small but actually plays an important part in the growth of the economy. Small Scale industries can be characterized by the unique feature of labour intensiveness. The small scale industries helps in promoting and developing balanced development of industries across all the regions of the economy.

In 2005, the definition of a Small enterprise was expanded to include a two category Classification.

a. Enterprises engaged in production/Manufacturing of goods for any industry

b. Enterprises engaged in rendering/providing of service.

**Myths Regarding CSR of SSI**

1. CSR is for big corporations, not for SMEs”
2. CSR is too costly, there are no extra resources available to SSI to do SR”
3. If CSR is done, its impact on stakeholders will be marginal”
4. CSR doesn’t pay off the investment, business can be done without it.
5. The law is complex enough and it is already very hard to keep up with mandatory requirements.
6. It is against business, the costs it involves threaten day-to-day operations

**Why SSI is Still Lacking Behind In Fulfilling The CSR?**

Most of the SSI units are underutilized. This may be due to lack of raw materials, or power shortage or managerial problem etc. By one estimate in SSI 50% capacity are not utilised. Poor quality and high production cost leads to competitive disadvantage. Marketing continues to be a major problem facing small units. As most of the units are in the unorganised sector, they do not pay proper attention to technological up gradation and quality control—control measures. Marketing becomes a big problem when big units to start producing products like soap which can easily be produced in the small scale sector.

**Number of Constraints in the Development of SSI**

These are:

- Inadequate and irregular supply of raw material.
- Imperfect knowledge of market condition
- Unorganised nature of operation
- Infrastructure constraints e.g. power
- Lack of managerial skill.
- Lack of organised market
- Finance and Credit
- Underutilization of Capacity
- Burden of Excessive Tax
- Competition from Large Scale Industries

All these led skewed cost structure keeping SSI on disadvantageous position as compared to large scale in both domestic and international market.
Expected Contribution of SSI towards Society

Small enterprises occupies a special position in India because of their role as creators of large scale employment opportunities apart from contributing significantly to industrial production, exports and regional dispersal. In the near future, there may not be drastic changes in the structure of SSIs but some changes may be expected in the composition of the SSI sector in India. In the changed environment only the efficient, viable and competitive SSI units will survive. The contribution of this sector which is currently 40 percent of industrial production and 35 percent of exports, will further improve. The SSI sector currently provides employment to 192 lacs

1. Eradicating hunger, poverty and malnutrition, promoting preventative health care and sanitation and making available safe drinking water;
2. Promoting education including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.
3. Promoting gender equality, empowering women and measures for reducing inequalities faced by socially and economically backward groups;
4. Ensuring environmental sustainability, ecological balance, protections of flora and fauna, animal welfare, agro forestry, conversation of natural resources and maintaining quality of soil, air and water;
5. Protection of art and culture including promotion and development of traditional arts and handicrafts
6. Contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorites and women;
7. Contributions or funds provided by technology incubators located within academic institutions which are approved by the Central Government;
8. Rural development projects

Legal Directives for Small Scale Industries

a) For Building the CSR Committee

1. Create a “CSR Committee”, made up of three or more Directors, one of whom must be an independent director.
2. Allocate at least two percent of net profits* to implementing CSR activities.
3. Create a “Corporate Social Responsibility Policy” that details which activities will be undertaken by the company, and what budget will be spent on them. This should be published on the company’s website.
4. At the end of each year, the details of all CSR initiatives undertaken by the company must be reported in the Directors’ Report and on the company website.
The two percent CSR spending needs to be computed as two percent of the average net profits made by the company during every block of three years. For the purpose of the first CSR reporting, the net profit should be calculated as average of the annual net profit of the preceding three financial years ending on or before 31 March 2014.

b) Guidelines for creating CSR Policy

1. The policy should specify the programmes that are to be undertaken.
2. It should include a list of CSR programmes which the company plans to undertake during the implementation year, specifying modalities of execution and an implementation schedule for each.
3. In specifying the CSR programmes, the policy should “give preference” to the local areas around it and where it operates.
4. The CSR programmes may focus on integrating business models with social and environmental priorities and processes in order to create shared value.
5. It should be clear that any financial surplus arising out of CSR activity will not be part of business profits of a company.
6. The Committee should prepare a transparent monitoring mechanism for ensuring implementation of the programmes proposed in its policy.

Expected Contribution of SSI for Maintaining Sustainable Development

“Sustainable Development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It involves on enduring and balanced approach to economic activity, social progress and environmental responsibility.”

There have seen a considerable increase in awareness and public concern about the impact of business on the natural environment. The acceleration of climate change, the scarcity of natural resources and the increasing price of energy are important factors that explain the necessity for an enterprise – regardless of its size – to integrate environmentally responsible practices into its business operations.

1. Prevention of pollution
2. Sustainable resource use
3. Climate change mitigation and adaptation
4. Protection of the environment, biodiversity and restoration of natural habitat
5. Communication to staff, environmental awareness, transparency and responsibility

Examples of Key Actions to Improve Environmental Performance

1. Identify the sources, or potential sources, of pollution and waste associated with our activities,
2. Ensure that specific production activities are done as effectively as possible with minimum energy, waste and environmental damage;
3. Substitute naturally scarce materials with those that are more abundant;
4. Protect biodiversity and eco-system functions;
5. Promote energy efficiency in your organization sometimes it is as simple as lowering air-conditioning by one degree Celsius, switching off electrical appliances, or using LEDs instead of incandescent light bulbs;
6. Minimize waste, re-use or recycle where possible;
Challenges for SSI emerging from Stakeholders

A general term for someone who has an interest or concern in an organization or its work

Stakeholders include

1. Employees
2. Shareholders and investors
3. Consumers
4. Business partners (e.g. suppliers and contractors)
5. Government and regulatory bodies
6. Industry associations
7. Opinion leaders
8. Non-governmental Organisations (NGOs)
9. Local community Organisations
10. Media
11. Family

Role of stakeholder

SSI can establish relationships with their stakeholders by consulting regularly with their employees, responding positively to their needs and aspirations and generally treating them well.

Golden Rules’ for meaningful engagement

1. Building trust with stakeholders is very important, aided by understanding their viewpoints and motivations. Managers need to gauge the level of trust in relationships but not be too quick to judge.

2. Understanding and being transparent about the motivation of both stakeholders and your organisation can help overcome differences. Recognize that the fundamental motivation of each side may be very different but understanding and articulating this can help close this gap.

3. Your organisation needs to recognize the importance of stakeholder views and engagement. It is critical that your organisation as a whole appreciates the contribution stakeholder engagement gives to overall business success and that it is not just an add-on.

4. An important component of success is internal alignment of Corporate Responsibility (CR) and Business Units in expectations, roles and outcomes. Being flexible will help achieve this, as will appreciating different viewpoints, pressures and business objectives that the CR team and Business Units may have.
CONCLUSION

Corporate Social Responsibility is an important aspect in the modern era irrespective of size of organization. However regular review and evaluation of CSR activities helps enterprises stay up to date while creating opportunity for continuous improvement. Self-assessment prevents the repetition of problematic practices, assists in identifying competitive areas and supports SSI in becoming learning organisations.

Looking at business plans and operations with a sustainability lense brings new perspectives. It helps to build upon existing strengths, remedy weaknesses and open up opportunities that may not have been sufficiently considered in the past.

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