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Corporate social responsibility practices in MSMEs in India

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Abstract

The setup and flourishing of Micro Small and Medium Enterprises is a resourceful input leading to the rapid development of economic and social prospects. MSMEs are the medicines which Indian Economy needs at this moment. CSR activities can help to a great extent in improving the survival rate of MSMEs and may offer more opportunities for business competitiveness, nationally and internationally. CSR helps to create and develop entrepreneurial foundation of the nation by supporting the enterprises through supply of raw materials and a range of components required for production or manufacturing. The main aim of this research paper is to examine the role of CSR activities in the betterment of MSMEs. Another motive is to examine the impact of strategies of CSR on expansion of MSMEs in INDIA. This paper gives evidences that CSR activities are not only helping the Big Companies but also small enterprises by creating competitiveness amongst MSMEs.

Keywords: micro small and medium enterprises, corporate social responsibility, competitiveness, entrepreneurial, production, manufacturing

1. Introduction

Micro Small and Medium Enterprises sector has emerged as highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialisation of rural and backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. This sector enormously contributes to the socio economic development of the country. A widely cited definition of CSR in business and social context has been given by European Union (EU). It describes CSR as “the concept an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly, and contribute to economic development while improving the quality of the life of the work force and their families as well as the local community and society at large.”

In reality CSR is an umbrella term for corporate responsibility, corporate citizenship, responsible business and corporate social opportunity whereby organizations consider the interest of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment.

1.1. Objective

This paper focuses on the involvement of corporate social responsibility and its impact on growth of Micro Small and Medium Enterprises. So on the basis of this the main objectives of the study are as follows:

- To understand and analyse the need of strategic CSR implementation sustainability in MSME in India.
- To highlight the recent developments under the head CSR activities by MSMEs.
- To study the trend of Performance and Growth of MSMEs in India.

2. Research methodology

This paper is based on a descriptive research based on the secondary information gathered from various journals, newspapers, articles and magazines. Secondary information has been collected from a number of sources such as books, journals, periodicals, websites and

newspapers, published reports of RBI, annual reports of MSMEs development organisations.

3. Corporate social responsibility: An overview

Corporate social responsibility (CSR) is a business management concept that originated in the early 1930s after the Wall Street crash of 1929 exposed corporate irresponsibility in large organisations. Since then, social responsibility has continued to be the focus of business operations and a popular topic of investigation for practitioners and academics from a range of disciplines. Unfortunately, CSR initiatives, so far, have tended to focus mainly on large and multinational companies. Following the inception of the concept in the United States by Berle and Means (1932) and its later development by Bowen (1953), CSR was seen as a tool to control them is use of corporate power in bigger organisations and to redirect them to produce social goods.

Among the numerous theories that have been applied to explain CSR, stakeholder theory and Social capital theory stands out as the two most well-founded theories in the literature on Business management. Proponents of stakeholder theory (Brenner & Cochran 1991; Jones & Wicks 1999) view management choice as a function of stakeholder influence and they therefore argue that organisations address a set of stakeholder expectations by participating in Social activities. The logic behind this view is similar to Friedman's (1962) ideology which considers economic objectives as the prime motivation of all businesses.

Recent research in this area has started interpreting the CSR phenomenon from the perspective of social capital theory. It is suggested that social capital arising out of social networks, and the values of reciprocities between them, has become an influential factor in debating and understanding

organisational management. Analysts of social capital (Nahapiet & Ghoshal 1998) are primarily concerned with the significance of relationships as a resource for social action. Much of this social capital is embedded within the networks of mutual acquaintance and recognition.

3.1. MSMEs

An overview for developing countries, integration into the global economy through economic liberalization, deregulation, and democratization is seen as the best way to overcome poverty and inequality. Crucial to this process is the development of a vibrant private sector, in which SMEs play a central part. SMEs make up over 90 per cent of businesses worldwide and account for between 50 and 60 per cent of employment.

Micro, Small and Medium Enterprises (MSME) contribute nearly 8 percent of the country's GDP, 45 percent of the manufacturing output and 40 percent of the exports. They provide the largest share of employment after agriculture. They are the nurseries for entrepreneurship and innovation. They are widely dispersed across the country and produce a diverse range of products and services to meet the needs of the local markets, the global market and the national and international value chains.

In India, the enterprises have been classified broadly into two categories: (i) Manufacturing; and (ii) Those engaged in providing/rendering of services.

Both categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery (for manufacturing enterprises) or on equipments (in case of enterprises providing or rendering services). The present ceiling on investment to be classified as micro, small or medium enterprises is as under:

Table 1: Investment ceilings for plants, machines and equipments

| Classification | Manufacturing Enterprises | Service Enterprises |
|----------------|--------------------------------------|-------------------------------------|
| Micro | Up to ₹ 25 lakhs | Up to ₹ 10 lakhs |
| Small | Above ₹ 24 lakhs & up to ₹ 5 crores | Above ₹ 10 lakhs & up to ₹ 2 crores |
| Medium | Above ₹ 5 crores & up to ₹ 10 crores | Above ₹ 2 crores & up to ₹ 5 crores |

3.2. CSR and MSMEs in India

National Small Industries Corporation (NSIC) Ltd., an ISO 9001 certified Company, has been helping the MSMEs for over last five decades in capacity building of the existing units and Incubation of the new enterprises. To enhance the competitiveness of MSMEs, NSIC provides integrated support services under Marketing, Finance, Technology and other Support Services through countrywide network of 150 offices and Technical Centres in the Country.

NSIC has always been conscious of its responsibilities and duties towards the society. It has been in the forefront in conducting various CSR initiatives for the benefit of the weaker sections of the society in different parts of the country.

During 2012-13, following CSR initiatives are being taken:

- Camps for Oral Dental health care.
- Specialized health camps.
- Running Cost of Mobile Medical Unit (MMU) funded earlier by NSIC.
- Setting up of Vocational Training Centre in Computer

- Skills at New Delhi, Pondicherry and Thanjavur.
- Training in assembly of solar lanterns and distribution of solar lanterns in West Bengal and North East.
- Entrepreneur Development Programmes, on IT.
- Providing artificial limbs, wheel chairs, callipers, etc. to the physically challenged persons.
- Providing books, shoes and clothes to SC, ST girls.
- Medical services programme for the mentally challenged persons by providing one Ambulance Van and running cost for one year.
- Vocational Training Centre for mentally challenged persons by providing mini sanitary napkin making machine.
- School Van for transportation to school of mentally challenged children.
- Training for drafting, cutting & stitching of ladies garments and providing sewing machines to women & BPL Youth.
- To provide education for Visually Impaired children with Braille writing slate, text books, papers, private

- coaching and coaching by special teachers for one year.
- Ophthalmic screening camps for providing services at the doorstep of the poor in Delhi/NCR. Under this spectacles will be provided and cataract surgery will also be done in the hospital benefiting the needy.
- To provide education to underprivileged children in Delhi & NCR.
- Empowering girl child & women by improving health and healthy behaviour practices in the community from low social economic strata of the society by organising & conducting workshops on reproductive and child health services, to facilitate adolescent girls as change agents in Delhi & NCR.
- Setting up of computer training centre providing books and stationary to physically & visually challenged.
- Providing Braille Box Braille Embosser & Duxbury Braille Translator for the visually challenged.

3.3. Categorisation of MSMEs' CSR activities

Micro, Small and Medium Enterprises (MSMEs) are already stretched to meet their cost requirements, but still perform CSR activities to meet up to the government norms or expectations of the society they belong to. Due to constraints that they face in terms of resource and personal that can be deployed for CSR activities notion of CSR among these companies is benevolent. A very few among them realize the power of CSR activity and the use them to build sustainable capacity for operations.

a) Workforce-oriented CSR activities

Workplace must be healthy and safety; employee motivation; flexible working hours; better working conditions; training and development programmes; equal treatment to all employee; fair wages and salaries structure; job security.

b) Society-oriented CSR activities

Support to sports, cultural and health/welfare activities; provision of jobs and community education; open dialogue; community participation; support for underprivileged.

c) Market-oriented CSR activities

High quality products; ethical business practices; responsible customer relations; customer education; charging reasonable prices; paying creditors promptly; customer feedback.

d) Environmental-oriented CSR activities

Energy and water saving practices; environmental product responsibility; ecologic and economic use of natural resources; environmentally.

4. Findings

As per the revised methodology suggested by Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI), on the basis of the data on Gross Domestic Product (GDP) published by CSO, MoSPI and final results of the latest Census (Fourth Census), conducted (with base reference year 2006-07), wherein the data was collected till 2009 and results published in 2011-12, the estimated contribution of manufacturing sector Micro, Small and Medium Enterprises

(MSME) to GDP, during 2012-13, is 7.04%.

However, taking into account the contribution of services sector MSME, which is estimated at 30.50% during 2012-13, the share of MSME sector in GDP during 2012-13, is 37.54%.

Based on the export data maintained by Director General of Commercial Intelligence & Statistics, Ministry of Commerce and the information available with this Ministry about MSME products having significant export, the share of MSME in India's total export, for the year 2013-14, has been estimated as 42.38%.

5. Conclusion

It is evident from the findings that by indulging in CSR activities MSMEs growth rate have increased because of the competitiveness among the enterprises. The core of CSR is managing the triple bottom line and be able to integrate and balance between economic, environmental and social issues going above legal requirements. It is interesting to note that SMEs operate and function with very limited resources and most often have limited vision in terms of organizational goals which is primarily focused upon profit generation.

With the liberalization, privatization and globalization of economy, competition has increased and changed the business environment. Significantly, Indian MSME' are facing a serious challenge to survive and companies are forced to redesign their marketing strategies for effective marketing and penetration in markets. In this regard the concept of corporate social responsibility has gained prominence from all avenues. CSR can play a valuable role in ensuring that the invisible hand acts, as intended, to produce the social good. In addition, it seems clear that a CSR program can be a profitable element of corporate strategy, contributing to risk management and to the maintenance of relationships that are important to long term profitability. Not only few but if many companies incorporate CSR into the heart of corporate strategy for sustainable actions, then sustainability cannot be separated from the company's core business objectives in the direction of taking a strategic turn for long term growth in India. CSR initiatives will help in enhancing brand image. Through CSR it is possible to presents an opportunity to demonstrate corporate values, distinctiveness, and employee brand as well as deliver governance.

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