

RESEARCH ARTICLE

Role of CSR towards the Progress of MSMEs in India

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ABSTRACT:

The establishment and nurturing of Micro Small and Medium Enterprises (MSMEs) is a resourceful input leading to the rapid development of economic and social prospects. MSMEs could be the steroid which the Indian economy needs at this moment. As global competitiveness the concept of Corporate Social Responsibility (CSR) is proposed as an impressive strategy to rejuvenate Micro Small and Medium Enterprises (MSMEs) operations and competitiveness. The outcomes of CSR activities can help to a greater extent in improving the survival rate of MSMEs and may offer great opportunities for business competitiveness, locally and globally. It helps in creating and developing the entrepreneurial foundation of the nation by supporting the enterprises through supply of raw materials and a range of components required for the production. Sustainable entrepreneurship is incomplete and inequitable without being given a standing ovation of the small and medium enterprises as engines of inclusive growth and development.

The prime aim of this research paper is to examine the strategies of CSR in MSMEs, and its impact on expansion of these sectors. The paper also purports that CSR activities are not only contributing to the large businesses, but also creating evidence in enrichment of the competitiveness of MSMEs.

KEY WORDS: Corporate Social Responsibility, Micro Small and Medium Enterprises, Entrepreneurship, Inclusive Growth. Competitiveness

I. INTRODUCTION:

Micro, Small and Medium Enterprises (MSMEs) constitute an important part of India's economic development. This sector has been contributing significantly towards our economic growth, exports, balanced regional development as well as employment generation. Government of India has always been proactive in strengthening and development of the MSME sector through various schemes and measures. The various stimulus measures by the Government of India have helped the MSMEs sustain the economic slowdown and regain robustness. The importance of CSR emerged significantly in the last decade. Over the time, CSR expanded to include both economic and social interests. Along with this it also broadened to cover economic as well as social interests.

Today CSR is not discretionary and taking a shape of management principle as strategic imperative which is gradually spreading across all companies in India regardless of sector or size. Corporate social responsibility (CSR) is an umbrella term for corporate responsibility, corporate citizenship, responsible business and corporate social opportunity whereby organizations consider the interests 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. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large.

II. OBJECTIVE:

The present paper focuses on the involvement of corporate social responsibility and its impact on sustainability in MSMEs in India. By taking this aspect recent study has the following objectives:

- To understand and analyze the need of strategic CSR implementation sustainability in MSME in India.
- To understand the current trend of CSR initiatives in India.
- To highlight the role Performance and Growth of MSMEs.

III. RESEARCH METHODOLOGY:

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports. The study concentrates on post reforms era and several conceptual issues. Secondary information has been collected from a number of sources such as books, journals, periodicals, newspapers and websites, published reports of RBI, Annual reports of MSME Development Organisation.

IV. REVIEW OF LITERATURE:

CSR contributes much more for the growth of MSMEs which helps in the acceleration of economic growth. Different researchers at different point of time have explained about the changing CSR in the developing economy.

Santosh Kumar and *et.al.* (OCT 2011) in their article explain the role of small and medium enterprises. MSME is playing a vital input in creating dynamic market economies in the economic and social development of a nation. They also highlight the view regarding entrepreneur who acts as the key promoter of economic growth, innovation, and regional development of an economy like India. Sandeep Gupta And Khanna (2011) in their article purport that Corporate Social Responsibility is one of the important aspects to influence a great potential to develop and strengthen the role of MSME and SME in Indian economy. Dey and Sircar (2012) in their article explain CSR as one of the initiative of business strategy. They focused on how the selected organisations like ITC, HUL, TATA GROUP, Maruti Udyog Ltd have taken up the initiative of CSR and ready to earn heavy benefit from them. From their article it is found that various organisations are greatly benefited from the CSR strategies as well as the social order is also realising some help from this strategy.

V. CORPORATE SOCIAL RESPONSIBILITY (CSR): AN OVERVIEW:

Social responsibility is about being ethically or morally responsible for actions that contribute to improving the quality of life of an individual, or the society. For business enterprises, social responsibility is a self-regulation integrated across business activities that can lead to sustainable entrepreneurship. Sustainable entrepreneurship is a continuous commitment and accountability of businesses to behave ethically and contribute to the economic development, environment along with improvement in the quality of life and of the society. Sustainable entrepreneurship is thus oriented towards long-term allocation of resources, investments, technological developments and organizational change for current and

future generations. Accordingly, sustainable entrepreneurship is mostly adopted by large enterprises that interact with large number of stakeholders such as customers, employees, suppliers, regulators, etc in the form of a quasi-legal or self-regulating policy known as CSR.

Benefits of CSR

Followings are the some of the advantages made by the CSR activities.

- Increase customer retention.
- Develop and enhance relationships with customers, suppliers and networks.
- Attract, retain and maintain a happy workforce.
- Save money on energy and operating costs and managing risk.
- Differentiate yourself from your competitors.
- Improve your business reputation and standing.
- Provide access to investment and funding opportunities.

VI. CURRENT STATUS OF CSR IN INDIA:

CSR is not a new concept in India. Corporate like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community ever since their inception. Many other organizations have been doing their part for the society through donations and charity events. Today, CSR in India has gone beyond merely charity and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support them. These programs, in many cases, are based on a clearly defined social philosophy or are closely aligned with the companies' business expertise. Employees become the backbone of these initiatives and volunteer their time and contribute their skills, to implement them. CSR Programs could range from overall development of a community to supporting specific causes like education, environment, healthcare etc. Best practices followed by Indian Companies related to CSR are as follows:

- ONGC and Indian Oil Corporation has been spending 0.75-1 % of their net profits on CSR activities. In 2007-08 Rs. 246.70 crores was spent by oil PSUs on CSR activities. ONGC's CSR projects focus on higher education, grant of scholarship and aid to deserving young pupils of less privileged sections of society, facilities for constructing schools etc.
- SAIL has taken successful actions in environment conservation, health and medical care, education, women upliftment providing drinking water.
- BHEL and Indian Airlines have been acclaimed for disaster management efforts. BHEL has also adopted 56 villages having nearly 80,000 inhabitants.
- Reliance Industries initiated a project named as "Project- Drishti" to bring back the eyesight of visually challenged Indians from the economically weaker

sections of the society. This project has brightened up the lives of over 5000 people so far.

- Mahindra and Mahindra launched a unique kind of ESOPs- Employee Social Option in order to enable Mahindra employees to involve themselves in socially responsible activities of their choice.
- GlaxoSmithKline Pharmaceuticals' CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-up and treatment, health camps and health awareness programs. They also provide money, medicines and equipment to non-profit organizations that work towards improving health and education in under-served communities.
- Bajaj Electricals Ltd corporate social responsibility activities include Education, Rural Development and Environment.

VII. CSR AND MSMEs IN INDIA:

The Micro, Small and Medium Enterprises (MSMEs) play a pivotal role in the economic and social development of the country often acting as a nursery of entrepreneurship. They also play a key role in the development of the economy with their effective, efficient, flexible and innovative entrepreneurial spirit. Significantly, the MSME sector has maintained a higher growth rate vis-a-vis the overall industrial sector during the past decade. According to a survey, exports from these enterprises have been on the rising trend, despite increased cost of raw materials, sluggish global demand and stiff international competition. Today, the sector produces a wide range of products, from simple consumer goods to high-precision, sophisticated finished products. It has emerged as a major supplier of mass consumption goods as well as a producer of electronic and electrical equipment and drugs and pharmaceuticals. An impetus to the sector is likely to have a multiplier impact on economic growth.

Corporate Social Responsibility are the practices and processes that businesses make use to fulfill the needs of stakeholders, lower any social or environmental harm. In the past few years, MSMEs have increasingly emphasized on strengthening their CSR activities. A very few among them realize the power of CSR activity and the use them to build sustainable capacity for operations. Some SME's contribute by participating through NGO's and some directly. Following are the major impact of CSR on MSME' growth

- MSMEs can get an edge through community engagement. Ethical and socially responsible firms have been found to be more attractive organizations. A proper CSR programme, big or small, can be considered as an asset in the procurement process for any company aiming to work in the central or public sector.
- It is important for SMEs to understand the true meaning of CSR programme and then decide on the goals. Focus on the programme is essential and if any SME is passionate about supporting education, theatre

or local charities, then it needs to be at the heart of the initiative.

- The MSMEs can take help from other organizations, which are ready to support responsible business objectives. These organisations offer extra resource; opportunity and numbers to help small enterprises get involved in these activities.
- It offers MSMEs added benefits in terms of strengthening their relationship within the community and acting as an example to make people's lives better
- Mainstreaming CSR into any business is a challenge. By incorporating the principles of CSR in the early stages of growth, MSMEs have another advantage over companies that have already reached a certain size.

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 unprivileged.

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.

Major Challenges of CSR MSMEs in India

MSMEs are subject to major challenges during implementation of CSR activities across their business operations. *The challenges can be addressed through a collective and proactive approach from MSMEs, government bodies, consulting agencies, etc.* The four major challenges include:

Business Case

An MSME should obtain sustainability in the long-run such that the financial benefits can outweigh the costs of implementing CSR activities.

Monitoring, Certification and Reporting

A process of determining credibility and reliability of ESR activities implemented in an MSME is not generally defined in India. Accordingly, the accountability and verification of enterprises adhering to ESR activities are not monitored and /or reported. However, most MSMEs acquire selected certifications for certain ESR activities for obtaining potential business orders from customers

Role of Public Policy

Public policy in India does not take part in a proactive role in regulating and enabling a viable environment for CSR in MSMEs. Correspondingly, public policy can undertake four key responsibilities that includes – mandating, partnering, facilitating and endorsing CSR activities among MSMEs in India

VIII. PERFORMANCE OF MSMEs:

This sector contributes 8 per cent to the country's GDP, 45 per cent to the manufactured output and 40 per cent to the country's exports. It provides employment to 60 million people through 28.5million enterprises. Due to the various CSR activities it is helpful for the MSMEs to increase their performance. The performance of MSMEs can be measured with indicators like production, employment, exports etc.

By taking these indicators following table 1 highlights the performance of MSMEs in India from 1999-2010. The table- 1 shows the time series data on various economic parameters of performance of this sector.

MSME constitute over 90 per cent of total enterprises and generating high rates of employment. In India too, it plays a pivotal role in the overall industrial economy of the country and it account for a major share of industrial production and exports. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession.

IX. FINDING AND SUGGESTIONS:

A strong budgetary support would definitely help to grow this sector and Government regulations which are supporting in this direction could attract more response from organizations. All this would also lead to benchmark CSR activities.

- To review existing policies in order to develop more meaningful visions for the companies and broaden their contributions to reach to local communities
- There has been continuous growth in the number of MSME in India. Production from MSME sector has been increasing over the years but the protection to this sector has not indicated very impressive results .Exports from MSME sector have shown an increasing trend and show a great potential for exports from this sector.
- Manufacturing capabilities should be developed to a level where products are competitive across global markets in terms of price, quality, technology, delivery of services. To achieve this, Indian firms should be enabled to access the latest technology from across the globe.
- MSMEs and cottage industries should be encouraged to grow and become competitive with the strong implementation of CSR approach towards sustainable growth.

Table 1: Performance of MSMEs in India from 1999-2009

Year	Total MSME (million)	Fixed Investment Rs billion	Production Rs billion		Employment (million person)	Export (Rs billion)
			Current price	Constant price		
1999-2000	9.715	1399.82	2337.60	1703.792	22.910	542.00
2000-01	10.11	1468.45	2612.97	1844.014	23.873	697.97
2001-02	10.521	1543.49	2822.70	1956.13	24.933	712.44
2002-03	10.949	1623.17	3148.5	3067.71	26.021	860.13
2003-04	11.3954	1702.19	3645.47	3363.44	27.142	976.44
2004-05	11.859	1786.99	497.96	3729.38	28.257	1244.17
2005-06	12.342	1881.13	4978.86	4188.84	29.4941	1502.42
2006-07	26.101	5007.58	793.98	4716.63	59.461	1825.38
2007-08	27.279	5581.90	7907.59	5329.79	62.634	2020.17
2008-09	29.808	6217.53	8808.05	-----	65.935	-----
2009-10	29.808	6938.35	9829.19	-----	69.538	-----

Source: Annual report, 2009-2010, ministry of micro, small and medium enterprise

X. CONCLUSION:

With the liberalization, privatization and globalization of economy, competition has increased and changed the business environment. Significantly, Indian MSMEs 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 present an opportunity to demonstrate corporate values, distinctiveness, and employee brand as well as deliver governance.

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