

FEASIBILITY OF CORPORATE SOCIAL RESPONSIBILITIES INITIATIVES IN SME'S –BENEFITS AND CHALLENGES

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ABSTRACT

The Objective of the paper is to understand how the CSR practices are beneficial and challenging in SME's. SME's are anchored in towns, villages and in the remote areas. Small and Medium Enterprises plays a vital role in contributing nearly 45% of the Industrial output and more than 40% of India's exports and also constitute an overwhelming important segment in engaging themselves in socially relevant activity but SME's are struggling to establish themselves and do not have the sufficient manpower to address the issues in practicing the socially relevant activities. CSR is a commitment of the firm to the society by concentrating on various welfare provision by using the corporate resources. Many large industries use CSR as promotional tools to concentrate in the socially relevant activities, in order increase sales, build brand image etc..., so CSR will be beneficial in SME's to overcome various pitfalls in it. Here the reader conclude with that , CSR practices in SME's will be beneficial rather than a challenging one as CSR activity will promote innovative use of voluntary agreements which could result in positive way for SME's. SME's in India has key role to play, in bridging the social divide while building a prosperous India.

INTRODUCTION

In recent days, we can notice that many informed citizens are analyzing the impact of business activities on society, which has created a huge emphasis on inclusive growth, social expectations, social equity and affirmative action. As a result, businesses are demonstrably

[Asian Journal of Multidisciplinary Research & Review \(AJMRR\)](#)

ISSN 2582 8088

Volume 2 Issue 6 [December 2021]

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engaging themselves in socially relevant activities which are carried out by CSR. Hence CSR has emerged a significant role in the global business economy and moved into the mainstream activity. With the growing emphasis on the business social responsibility is affecting the relationships between enterprises and their stakeholders. So large enterprises had incorporated CSR in their strategic plan as an essential element for long- term sustainability. SME's are fundamentally different from the large enterprises but well aware about their responsibilities. They are not yet strategic about the business responsibilities rather than moral values like creating and maintaining their reputations by building up a social relationship with their stakeholders. This will be helpful for SME's in adopting the CSR practices which will result in improved standards of social life and the national economy on a macro scale. Here in this article we are going to discuss about how CSR and its practices is beneficial and challenging in merging with SME's to participating in the business social activities.

CSR PRACTICES IN INDIA

CSR in India has been traditionally seen as a philanthropic space but had moved from an institutional building to community development through various projects and with global influence becoming more active and demanding. Later in India, the concept of CSR is governed by clause 135 of the Enterprises Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013. The CSR provisions within the Act is application to enterprises with an annual turnover of 1,000Crore INR and more, or a net worth of 500Crore INR and more, or a net profit of five crore INR and more. The new rules, which will be applicable from the fiscal year 2014-2015 onwards, also require enterprises to set-up a CSR committee consisting of their board members, including at least one independent director. The Act encourages enterprises to spend at least 2% of their average net profit in the previous three years on CSR activities. The ministry's draft rules that have been put up for public comment define net profit as the profit before tax as per the books of accounts, excluding profits arising from the branches outside India.

CSR means Corporate Social Responsibility, India is the first country to make it as mandatory, following an amendment to the Company Act, 2013 in April 2014, where it involves developing the businesses with a positive relationship to the society which they operate and it

gives the idea to the businesses to balance the profit making activities with the activities which benefits the society. The Act lists out a set of activities eligible under CSR. Enterprises may implement these activities taking into account the local conditions after seeking board approval. The indicative activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act. CSR has seven practices, which put an organization's social and environmental practices into spotlight. They are

- **Set Measurable Goals** : Return on investment has always been a difficult thing to measure. In order to achieve this CSR policy ,implement small changes such as improving employee policies that decreases turnover and improve recruitment just like minimizing waste and usage of resource.
- **Stakeholder Engagement** : Many enterprises leave their stakeholders out loop is one of the top mistakes when they are concentrating on the green. In to overcome it, the enterprises should keep everyone in the same page, where the stakeholders can help by partaking in the regulatory process ,improving relationship proactively and solving the CSR roadblocks.
- **Sustainability Issues Mapping**: This approach helps to maps the priority and narrow key issues, saving the time and money of the company during the research. Sustainability issues mapping as “a most stimulating approach which bring together things which ought to be”.
- **Sustainability Management Systems(SMS)** : It Develop a framework to ensure that environmental , social and economic concerns are considered as a car racing throughout the organizational decision making processes. So start identifying and prioritizing sustainability aspects and impacts. For this to be done successfully collaborating with an environmental consultant during the process and outline the company's goals and objectives. Finally educate and train the employees about it.
- **Lifecycle Assessment** : Product design is critical. A cradle to cradle approach exhibits the company's creative and innovative process to improve the bottom line of the company.
- **Sustainability /CSR Reporting** : CSR reporting has increased in popularity over the past few years , due to increasing government regulations as well as self – regulation by forward thinking enterprises.

- **Sustainability Branding** : Transparency is the key element in the sustainability branding .

The company should carefully implement the CSR Policies in their businesses for incorporating social responsibility.

SME PRACTICES IN INDIA

In the early 90's, Indian SME's have been exposed to intense competition due to the accelerated process of globalization. Therefore the survival and the growth of the SME's are under drain. Later it also initiated new opportunities for SME's development. Small and Medium Enterprises (SME's) contribute significantly towards growth of India's economy and serve independently and also as ancillary to large units. They help to generate employment and industrialism in the rural and backward regions of India and employ nearly 40% of India's workforce and contribute around 45% to India's manufacturing output. Many focus on the contribution of SME's towards employment generation which is significant because they tend to use more labour intensive production processes than large enterprises, leading to more equitable income distribution. The SME's sector has grown rapidly over the years which leads in the increase in Small Scale units and raised the India's GDP nationally and internationally through the export system.

SME's mostly concentrate on the backward region as the most of the developing countries like India, in order to develop the people's standard and concentrated on the social issues , which also the reason for its rapid growth. But SME's lack in trained manpower resources, lack of information and support from the related officials which are the limiting factor in the performing the socially related activities. So in order to compete in the global market as a part of the supply chain, SME's thought that CSR can positively influence their drawbacks into strength and so joined their hand together. CSR in SME's gained increased attention from the many practitioners, NGO's and international organizations.

CSR PRACTICES IN SME's – ADVANTAGES OR CHALLENGES

[Asian Journal of Multidisciplinary Research & Review \(AJMRR\)](#)

ISSN 2582 8088

Volume 2 Issue 6 [December 2021]

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CSR is a Corporate Social Responsibility as a management concept where enterprises integrate social and environmental concerns in their business and interactions with their stake holders. The SME's need to realize that CSR is not just about spending money. SME's are also equally responsible towards making better standards for their employees and their families. CSR is the only solution to achieve this in SME's. India can achieve it in a long run creating a harmony between the workers and management, at the same addressing the expectations of stakeholders as well as the environment. The collaboration of CSR activities in SME's create an impact in the community which helps in fulfilling the community's needs and expectations but are also beneficial enterprises which reduces the operational cost for the fund management. The collaboration of CSR activities with the SME's are necessary because the SME's are not optimally delivered due the following reason,

- Fluctuation in profit margins in SME's
- Lack of Professional approach
- SME's focus on Short Term Activities.

These pitfalls of SME's can be solved with the collaboration of CSR practices and the collaboration brings on various advantage also they are,

- **Reduces operational Cost:** The CSR efforts consist like establishing a CSR department, for assessing the needs of the local communities by conducting the programme's directly or through an NGO and make regular assessment studies. A common organization catering to a number of enterprises will carry out these activities with the reduced operational costs.
- **Undertake Long Term Projects :** The enterprises had realized that long term project have a larger impact than the short term projects because its various reasons like it helps in making the standard of living better for the local community with better relationship by reducing the unrest that hamper in the business activities.
- **Learning from Experiences:** Huge number of participants discuss and assess the past experiences and cater the community's needs and issues which will be helpful in undertaking the programmes that will address the number of communities issues.

Collaboration with the CSR help the SME's provide opportunity to address social and environmental issues and gives a better response to the pressure from the buyers also, who are trying to establish ethical supply chain and gain international community. The collaboration needs to undertake some processes like first interested SME's has to be created in a cluster association, in case of large scale participation and also if very few SME's interested in undertaking collaboration, initiative steps can be taken by opting the due considerations from the local areas. Next steering committee has to formed by an alliance which constitute representatives from each SME's so that they can mutually resolve any issues that arises and later decide about the methods of implementation of the activities through the registered society trust. Individual SME's need to develop their CSR strategies which are flexible in collaborative effects with the CSR activities. In case of insufficient fund for collaboration the SME's have an option to opt from the Prime Minister National Relief Fund or any other fund set up by the Central Government or State Government under Sec VII of the companies Act , 2013.

Once after the collaboration ,enterprises as a part of the corporate social responsibility efforts, encourages their employees to volunteer for a cause during their work hours under formalized EVP's(Employee Volunteering Programme) which is pre selected by corporate human resource, it should be carefully planned and executed as it involves substantial opportunity cost for employers. A corporate volunteer is a employee who actively takes on the tasks or a project.

CHALLENGES

CSR in SME's collaboration have many challenges as per the many reference , they are Cost benefit ratio ,since the profits in SME's are fluctuating in nature it will be a challenging factor for the collaboration with CSR as it involves large amount of fund for its activities. Secondly SME's operate in the backward regions mostly so the availability of the resources will be limited for undertaking the social responsibilities and will be sensitive in nature for the local stakeholders. Since the geographical spread is limited in SME's it will be challenging for the enterprises and CSR to establish internationally. Number of SME's join together for the collaboration activities and appoint one representative from each SME's the internal control will be a challenging factor for them. As it deals with perception of the consumer also , CSR

practices create sensitive issues to the public sometimes and the collaboration carries huge procedures and government regulation which seems to be a time consuming process in the collaboration.

CONCLUSION

The organization in India is quite sensible in taking up the CSR initiatives and integrating them into SME's because the SME's beside growing their business, it is also important to shape responsible and supportable relationship with the large community. SME's now have a specific departments and teams to develop specific policies strategies and goals for their CSR programs and set up separate budget for the activities, which are well defined social beliefs. Even with the large number of challenges the SME's want to collaborate with CRS to take initiative steps to develop or enlarge the project from short term to long term projects. In order to step into the global market SME's adapt the CSR practices. CSR practices are beneficial in SME's rather than a challenging one, as CSR spends further rose with corporate firms aligning their initiatives with new government programs such as Swachh Bharat and digital India, additional to education, healthcare etc. The article conclude with that CSR practices are beneficial for SME's in order overcome its pitfalls and achieve its socially relevant activities in a larger extends and step into the global market overcoming its limiting factors as today's world is environmental and socially aware about the hazardous product both for them as well as for environmentally.

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