

CSR Practices by SMEs in India: Lessons from Five Case Studies

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Though a large number of SMEs have been engaged in socially relevant activities which are beyond what could be considered as their immediate business pursuits, the debate on CSR as also the promotional instruments has remained somewhat skewed towards the large scale sector in India. Most of the SMEs being anchored in towns and villages or in the remote areas they have considerable adaptability to the local settings, exposure to local problems and also access to local resources. They, thus, are eminently suited to pursue CSR. This paper summarises the major findings of five case studies on the best CSR practices by Indian SMEs prepared by a team of researchers from Shri Ram Centre for Industrial Relations & Human Resources, New Delhi.

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Background

As elsewhere in the world, in India too the literature on Corporate Social Responsibility (CSR) is mostly centred on the initiatives of medium and large enterprises. In reality, however, a large number of SMEs have been engaged in socially relevant activities which are beyond what could be considered as their immediate business pursuits. Thus, the debate on CSR as also the promotional instruments has remained somewhat skewed towards the large scale sector in India. The surmise that perhaps the SMEs lack resources to resort to socially relevant pursuits undermines the fact that, with over two million registered small scale industries in the country together contributing to almost 40% of the manufacturing GDP, SMEs constitute an overwhelmingly important segment of the Indian economy. Most of them being anchored in towns and villages or in the remote areas. SMEs have considerable adaptability to the local settings, exposure to local problems and also access to local resources. They, thus, are eminently suited to pursue CSR. Policy-makers and others thus would do well to give deserving recognition to what many

SMEs are already doing in this regard in India as well as elsewhere. It is also important that, with its agility and dynamism, the sector has displayed admirable innovativeness and adaptability to survive the recent economic downturn and recession.

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CSR- Definition

CSR, also called corporate conscience, corporate citizenship, social performance or sustainable responsible business etc, is a form of corporate self-regulation integrated into a business model. CSR functions as a built-in, self-regulating mechanism whereby business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. A universally acceptable definition of the term is yet to emerge in the evolving literature on CSR, however, its admitted goal has been to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. CSR-focused businesses would proactively promote the public interest by encouraging community growth and development and voluntarily eliminate practices that harm the public sphere, regardless of legality. CSR is the deliberate inclusion of public interest into corporate decision-making or core business of a company and the honouring of a triple bottom line: people,

planet, profit. European Commission defines CSR as the company efforts to integrate social, environmental concerns in the business operations and in its interaction with its stakeholders on a voluntary basis.

CSR is a term that was created primarily by and for larger companies and hence is not necessarily a term that is well adapted to the world of SMEs. Many SMEs have been doing things that could today be called CSR even if they do not know or use the term themselves. In most cases it has been found less formal and more intuitive than by larger enterprises. Because of their huge number as well as the vast regional spread, the challenge in India is to involve more SMEs to do more CSR.

Relevant SME Characteristics

Many SMEs may not see larger social and environmental issues as immediately relevant to their business.

SMEs usually identify themselves closely with the region or town where they are located. The social and environmental issues of concern to them will probably be local or regional in nature. It is at this level that the positive impact of having a greater CSR participation can best be felt in economic, social or environmental terms.

SMEs from the same cluster or sector often face common social and environmental issues. Addressing these issues collectively can reduce the costs of action and

result in improvements that an individual SME acting alone cannot achieve.

SMEs are generally reluctant to seek publicity and it can be hard to find them willing to share their experiences in an open manner. Indian SMEs are generally unwilling to expose themselves to the myriad rules and regulations governing industrial and economic development unless there are compelling benefits by doing so. Besides their sheer number and diversity, the fact that their owners and managers are more often very busy and intensely focused on ensuring the short-term survival of the enterprise, make SMEs a difficult group to reach. There is also the challenge that many SMEs may not see social and environmental issues as immediately relevant to their business.

Business Case for CSR by SMEs

While CSR is not a short-cut to business success, it is an investment that does pay off in the longer term. CSR has brought in business advantages in developed nations, for example in terms of staff retention and recruitment, staff development and motivation, customer loyalty, reduced expenditure on energy and, most importantly, visibility that would not have been achievable otherwise. In the knowledge economy that India aspires to be, CSR can increasingly be a source of innovation. It facilitates access to and sharing of information. By managing CSR in a strategic and conscious manner, enterprises can better reap these advantages. CSR is about continuous improvement and should be seen as arising out of the modern model of business excellence.

There are a number of ways in which CSR practices can help SMEs to become more competitive in a developing country like India. A suggestive list could be:

- Winning and retaining consumers and business customers (supply chain pressures and opportunities), especially because SMEs need to constantly find new markets / revenue streams.
- Being a good neighbour – maintaining a license to operate from the local community.
- Deepening the local roots, especially in communities/areas with underdeveloped infrastructure and/or human development.
- Responding to new demands and requirements from banks, insurers and also investors. The strength of this as a motivation for SMEs to engage in CSR is crucially dependent on the extent to which the financial community takes real account of the risks and opportunities that CSR issues represent.
- Attracting and retaining motivated and committed employees – especially because the speed of market and technology change increases the need for flexible and engaged staff. Good working conditions achieved by responsible business practices and a participatory management style usually will have positive effects on staff morale and lead to a higher job satisfaction and commitment to the firm. CSR may become an increasingly important distinguishing factor for enterprises that face growing competition to attract the best, high-skilled workers.

- Developing and training staff. For instance, the staff or managers of an enterprise can acquire new skills and competences through voluntary engagement with the local community, and this can also result in knowledge transfer and access to new information that benefits the enterprise.
 - Image and reputation with internal and external stakeholders.
 - Changing perceptions of the role of business in society (not a source of profit alone), through the media, education and actions by stakeholders.
 - Networking opportunities.
 - Product / market innovation, differentiation and competitive edge; and the need for more sources of creativity and innovation in business.
- sensitive to motivations based on values.
 - Areas that seem especially worth focussing on when looking for possible competitive gains from CSR are: costs savings from environmental measures; opportunities from addressing societal problems with innovative products or services; making a product or service more attractive to public authorities or large company clients; attracting, retaining and motivating staff by offering a good and stimulating working environment; enhancing image, loyalty and trust amongst internal and external stakeholders; and networking and accessing new information.
 - There may be additional competitive gains from joint action with other enterprises (and other stakeholders) in the same sector, locality or cluster.

Not all these issues will be relevant to all SMEs and some are more likely than the others to result in competitiveness gains. Many cite increased staff morale and improved reputation. Some important considerations are:

- The business case needs to be constructed according to the unique characteristics of each SME, rather than applying the same formula in all cases. The precise nature of the enterprise and the context in which it operates might affect the possible business case.
- The business case has not always been the main motivation for an SME to engage in CSR. The approach to promote CSR by SMEs should be

Drivers of CSR by SMEs

The smaller the enterprise, the greater would be the relative role of ethical and moral considerations as drivers for CSR.

Some of the most important factors influencing the nature and level of CSR participation by SMEs are: sector; size; age and history (including whether or not the enterprise is family owned); geographic and cultural context; position in the value/production chain and nature of client relationships. Ethical and moral considerations are found to be the main drivers of CSR amongst the SMEs. As

a general rule, the smaller the enterprise, the greater would be the relative role of ethical and moral considerations as drivers for CSR. The business case, where it exists, will often be unique to an individual enterprise and influenced by the societal context in which the company is working.

True, SMEs are motivated by the perceived business benefits of CSR. In the majority of cases, however, this is not the first or the most important motivation. The importance of the perceived business benefits as a motivating factor for engaging in CSR tends to increase with the size of the enterprise. CSR should be viewed as the opportunity to build on existing strengths and make viable improvements that may not have been sufficiently considered in the past. It is unrealistic to expect that the business case of CSR for SMEs will ever be definitely proven in a way that applies to all SMEs in all contexts. The most advisable approach is rather to demonstrate the business advantages of CSR when and where they exist.

CSR Reporting / Communication

For many larger companies in the West or even in India, the production of a publicly available CSR or sustainability report has become an important aspect of their CSR policy. However, it is unlikely that CSR reporting will become a general practice amongst the SMEs as a whole. The reasons for this include the perceived costs, the limited demand from stakeholders (compared to larger companies), and, in some cases, a fear of

attracting negative or unwanted attention from the media and even government. There may, however, be more scope for SMEs to participate in reporting if it can be done collectively at a cluster or sector level. There is a potential for economies of scale, in terms of the cost of reporting and the improved image of the sector or cluster as a whole that cannot be realized by one SME.

For individual SMEs it will usually make more sense to talk in terms of “communication” about CSR rather than about “reporting” as such. Communication within SMEs and between SMEs and their stakeholders is in any case often informal. SMEs are likely to be more receptive to the idea of communicating their values or aspects of their CSR performance by simpler means than a written report, such as: letters to clients, internal emails and meetings with employees, newsletters, brochures or meetings with local NGOs.

Buyer-Supplier Relationships & CSR

An increasing number of large companies and public authorities make environmental and social requirements on their suppliers. Attention to social and environmental issues in the supply chain has become an important aspect of the CSR of many large companies, and a means by which public authorities can further pursue policy goals, in particular the goal of sustainable development. Buyer requirements in the social and environmental fields are a possible way of promoting a greater uptake of CSR amongst SME sup-

pliers. Part of the answer lies simply in more buyers making social and environmental requirements on their suppliers.

For many SME suppliers, CSR related buyer requirements are first and foremost an increased administrative burden. In order not to lose out on contracts SMEs will often state that they meet buyer requirements, but in reality such requirements may have little or no real effect on the actual practices and policies of the SME concerned. The lack of resources is often cited by SMEs as the biggest barrier to a more thorough implementation of buyer requirements. Many SME suppliers also remark that more stringent social and environmental requirements are often in contradiction with other buyer requirements regarding price and delivery schedules.

A cluster appears to provide significant opportunities for engaging SMEs in CSR in a way that enhances competitiveness. A cluster approach can help to lower the costs of CSR through economies of scale, especially if it comprises a mixture of administrative facilitation measures and indirect financial aid measures (taxation). It actually gives SMEs the chance to establish collaborations and complementarities with businesses in the same sector or in adjacent sectors. In addition, if it is believed that CSR can provide SMEs with a comparative advantage, then particular attention must be paid to economies of scale with regard to cost, to the accessibility of CSR instruments and to the exchange of good practices, within the specific context of clusters. In other words, a cluster-based

approach to the promotion of CSR increases the opportunities for turning CSR into a competitive advantage.

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CSR Promotion among SMES

Existing business support organizations and SME intermediaries need to be encouraged and helped to better integrate CSR into the advice and support that they give to SMEs. Such organizations are key channels of communication with SMEs and are qualified to communicate about CSR in a way that is relevant and understandable to them. The intermediaries should be as wide and as inclusive as possible covering all persons and organizations that work with or for SMEs, such as: chambers of commerce; SME associations and federations; trade and sector associations; trade unions; support and advice centres for SMEs and start-ups; business advisors (public and private); relevant training and education institutions for SMEs; banks, accountants and legal firms.

The fact that SMEs are an extremely diverse group (size, history, sector, ownership, and so on) calls for a range of different approaches and strategies to encourage CSR participation. Adapting the message and the nature of support to different kinds of SMEs will be a key to success. Amongst other things, tailor-made approaches are needed for small

and micro-enterprises in comparison to medium-sized enterprises.

CSR is culture specific and therefore varies according to political traditions, nature of social dialogue and the degree to which certain social and environmental issues are regulated by law. Ultimately the practice of CSR has to be adapted to the particular circumstances of different regions. This is an important aspect for a country as large and socio-culturally diverse as India is.

The Five Case Studies from India

The Jalandhar based Sports Goods Foundation of India (SGFI) organizes campaigns for the abolition of child labor from sports goods industry and for the promotion of child education. Besides organizing tuition centres for poor children, SGFI also carries out health check-up campaigns in schools.

The Hyderabad based S. Kumar's Agri Business Corporation has set its mission to initiate change through innovative, sustainable, eco friendly green initiatives. The company's CSR foundation, GUESS (Green Universe Environmental Services Society) has emerged out of the Company's firm belief and steadfast commitment to promote sustainable livelihoods while protecting the environment in rural and remote areas.

The Ahmedabad based Shashwat Systems has established the Shashwat Foundation. Its CEO personally involves in the promotion of women enterprises throughout Gujarat and serves with mis-

sionary zeal as a teacher, guide and mentor to the numerous young and aspiring women entrepreneurs in the state. She undertakes sustained efforts to locate talented young women entrepreneurs, guides them through the journey and mentors them to stay successful.

Malerkotla (Ludhiana, Punjab) based Sohrab Enterprises runs a charitable trust called HARF. Under the trust are: Education (Sohrab Public School), a Primary Health Centre, a Widow Stipend Program and an Orphan Girl Marriage Assistance Unit. The company is dedicated to "Service to mankind, national integrity and communal harmony". The Group's numerous socially responsible initiatives are consciously and purposefully designed to serve this motto.

The Ahmedabad based Motif India Infotech raises funds for social causes through people participation as a part of its CSR. Motif provides the platform for NGOs and mobilizes financial support for them and brings about awareness of those who render socially responsible services the best. Motif organizes every year the Motif Charity Walk, an event that not only mobilizes financial resources for deserving causes but also popularizes such causes among the common man.

The Vast Untapped Potential

The CSR initiatives of four out of the five cases studied were through the foundations managed by independent boards. The funds for such initiatives were sourced mostly from, though not confined to, the operating profits of the promoting

companies. One SME mobilizes the funds required for their CSR initiatives through a charity walk. The proceeds were used to extend one time financial support to NGOs who were championing socially relevant causes.

The eloquent admission by a majority of SME CEOs who participated in the study that the financial resources were never an insurmountable constraint as far as their CSR efforts were concerned is a compelling evidence to the nation's inability to fully exploit the potential benefits that could have been derived by the community. Invariably, the CEO respondents expressed confidence that the required funds could be mobilized, if not from own companies they could do so from external sources. On the contrary, what constrained the SME CSR efforts were the shortage of projects which, if initiated and sustained by the foundations in the short to medium term, could hold the promise of being sustained in the long run. What is critically missing here is an effective dialogue between the SMEs and the respective state authorities regarding the financially viable CSR projects. Such a dialogue may also extend to deal with the scope and methods of mobilizing supplementary financial resources for potentially unviable but socially necessary CSR projects. A typical case in point is the need to convert the HARF Foundation's (Sohrab Enterprises) Dispensary in Malerkotla in to a Nursing Home. HARF Foundation admitted the urgent need to do so to serve the remotely located community but suspects its long term viability. Availability of qualified and skilled manpower has been an issue in

remote locations like Malerkotla (Ludhiana Dist). In such cases it is ideal that the state government supplements, in a PPP mode, the manpower by deputing its own personnel (a doctor or a pharmacist in the present case) and also supplementing funds for some of the activities.

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CSR by Clusters

The CSR business case that SMEs from the same cluster or sector often face common social and environmental issues which could best be addressed collectively is well illustrated by the Jalandhar based Sports Goods Foundation of India (SGFI). The adverse publicity which the sports goods industry received in the Western media regarding the alleged deployment of child labour could by no means have been successfully countered by any single sports goods exporter because of the sheer nature and the gigantic magnitude of the problem. It would have meant the demise of all the sports goods exporting units simply for want of orders from the importers in the West. The industry's collective efforts through the Foundation's initiatives, both promotional as well as coercive, ensured the immediate survival of these units and their generous long term growth. The

Foundation's CSR efforts not only successfully prevented a social evil like child labour but also succeeded in laudable social objectives like child literacy and universal primary education. Of course, the state government's efforts under *Sarva Shiksha Abhiyan* (Education for All) immensely contributed to the success of the drive in terms of the number of schools opened for the purpose. The Foundation failed, however, to expand the scope of its activities beyond the needs of mere 32 members of SGFI. Perhaps what is needed is a PPP initiative to be entered in to by the state government with SGFI in such a manner as to fully utilize the latter's grass root level contacts and infrastructure to the maximum advantage of the local community.

Blending Business-CSR Motives

The CSR business case of 'being a good neighbour' by maintaining a license to operate from the local community and also 'deepening the local roots', especially in communities/areas with under-developed infrastructure and/or human development is successfully demonstrated by the Hyderabad based S. Kumar's Agri Business Corporation. S. Kumar's Agri Business Corporation's CSR Foundation, GUESS, is based on the firm belief and steadfast commitment to promote sustainable livelihoods while protecting the environment in rural and remote areas. GUESS is firmly committed to the 3 Gs: Green Earth, Green Wealth, and Green Health. By offering a source of off season employment along with training in advanced farming techniques for the local casual labour, especially ru-

ral women, the Company seeks to provide stable incomes to the rural landless poor. Therefore, the Company tends to consider the whole of its activities as fulfilling a broader CSR spectrum and could be successfully launched and completed in tandem with its own business promotion efforts each reinforcing the other, thus, immensely contributing to expand its resource base as well as sustain its market ever since the commencement of its activities. In the context of the limited resource base and market accessibility of a vast number of small scale units in the country this is a unique experience of a successful merger of business promotion efforts with socially desirable objectives (CSR).

Personal & Ethical Values as CSR Drivers

The inspiration of Motif's founder to take up socially relevant tasks stems from his deep rooted personal philosophy. Similar has been the case of Shashwat Systems which is new to the field of CSR. Locally rooted and faced with the shortage of resources in terms of money as well as time, Shashwat Systems direct involvement in terms of spending their financial resources on CSR activities has been rather limited. What distinguishes Shashwat Systems CSR activities is the manner in which the CEO's personal beliefs and ethical values are translated in to promoting women enterprises throughout Gujarat. She personally serves with missionary zeal as a teacher, guide and mentor to the numerous young and aspiring women entrepreneurs in the state. Backed by her vast experience

during her untiring journey through the insurmountable odds of bringing up her own enterprise she devotes a significant part of her time and energy to groom young women entrepreneurs to successfully traverse through the maze of rules and regulations, forms and procedures, opportunities and threats, markets and customers, and finance and infrastructure. She undertakes sustained efforts to locate talented young women entrepreneurs, guides them through the journey to become business women and mentors them to stay successful in their course. She does not merely advise them what they need to do; she goes with them to any agency or office until their difficulties are sorted out. Along with the other fellow members of Gujarat Chamber of Commerce & Industry's Women Wing she organizes frequent seminars and conferences and inducts many young women in to the business world and guides them through the initial period.

That the personal beliefs and values are a significant driver of CSR by the Indian SMEs is supported also by the case of Sohrab Enterprises. Inspired by the memories of the hardship-filled childhood and student days of the Group's promoter, the Company's numerous socially responsible initiatives are consciously and purposively designed to serve the motto, "Service to mankind, national integrity and communal harmony". He devotes the whole of his energy and resources to preserve and enrich what Malerkotla generously inherited from history viz. communal harmony. He is shy even to publicize his efforts simply because of his belief that he owed

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to the community at least a fraction of what he draws from it.

Community Involvement/Support/Recognition

All the five case examples bear testimony to the irrefutable fact that the local community's involvement /support, directly or indirectly, is indispensable to the full/partial success of SMEs' CSR initiatives. S. Kumar's Agri Business Corporation' CSR foundation, GUESS, closely interacts with and receives unstinted support from the state's prominent NGOs like the Ramananda Teertha Foundation, TSR Samiti and Andhra Pradesh Medicinal and Aromatic Plants Growers Association while dealing with issues related to promoting education in rural areas, improving rural infrastructure, rural community development, income generating programs etc. In addition to its 32 member units (sport goods manufacturers/exporters) the Jalandhar based SGFI continued to involve the participation or receives support from a whole range of national or international agencies like the FIFA, UNICEF, UNIDO, NLCP (Govt. of India), SGI, SGS, LIC of India, Lion's International etc at one stage or the other of the more than a decade history of its

successful activities, including the Delhi based NGO, *Goonj* who took over some of its purely humanitarian activities. Motif model of letting the NGOs do the actual CSR is a novel method of seeking support of the community. Motif takes up the job of a facilitator and lets the NGO's do the social work. It mobilizes resources through an annual charity walk and distributes the collected funds to the NGOs. This ensures that the company overcomes its limitation and leaves the social work to organizations which have the expertise in the field. Sohrab Enterprises' CSR activities have been drawing the support from the local Panchayat and the children's parents of the CBSC affiliated Sohrab Public School, in addition to the involvement of the local chapter of the Rotary International. Shashwat Systems' large scale promotion of women enterprises in the state of Gujarat draws immense support and co-operation from the fellow members of the Women Wing of the Gujarat Chamber of Commerce & Industry. While its CEO's passion for CSR activities has been ignited by the GCCCI's State Women Entrepreneurship Award, Sohrab Enterprises' CEO derives immense of inspiration from the numerous state and national awards he received for CSR as well as others including for productivity and safety.

What is Missing?

What is found conspicuously missing in these CSR case examples from different parts of the country has been the respective local government's involvement in a big way in terms of men and materials to supplement the efforts by

SME entrepreneurs so as to make significant impacts on the causes championed by them. To a large extent the approaches of the respective local governments could be characterized by either passive indifference or even simple apathy. Perhaps this is the outcome of the absence of a sound PPP-CSR framework within which SMEs and the local authorities can effectively collaborate to promote wider socioeconomic objectives and also address serious issues of environmental concerns. Some SME entrepreneurs eloquently put forward the case for an effective mediator between SMEs and the government when it comes to promoting CSR. Such a mediator could educate the SMEs on the crucial areas where CSR initiatives have been welcomed by the government and the society and carryout constant dialogues among the agencies involved etc. Currently the SME's efforts are disjointed and characterised by duplication and lack of coordination, they feel.

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Neither was there any firm evidence from these case examples of the support received by the SMEs from the financial institutions/ agencies for the CSR initiatives rendered by them. Just as their non-CSR performing counterpart SMEs, they are also to adhere to all the lending norms/ repayment schedules/interest rates etc. One of the respondent CEOs has rather

eloquently complained of the sheer indifference by the financial institutions to the adverse implications of the frequently occurring financial crunch spreading its tentacles over the respective foundation's CSR initiatives. It is likely that any relaxation in these norms/schedules/ rates etc for the CSR performing SMEs, even if only of a token nature, would not only encourage them to intensify their CSR efforts but also would induce others to join the ranks. If nothing else, such concessions would serve as a reflector of the society's approval of their efforts, they argue.

There may be more scope for SMEs to participate in CSR reporting if it can be done collectively at a cluster or sector level

It is highly unlikely that CSR reporting will become a general practice amongst SMEs as a whole in India. Indeed, none of the SMEs studied has been reporting either the details of their CSR efforts or their outcomes under the auspices of any globally recognized agencies like the Global Reporting Initiative or other such forums. The only exception, if it could be considered as one, has been the effort by SGFI to secure SA 8000 Standard for all its members within the next two years or so. In fact most of the Indian SMEs were found simply unaware of such reporting forums and the potential benefits they could have derived there from. As has been the case elsewhere in the world there may be more scope for SMEs to participate in CSR reporting if it can be done collectively at a cluster or sector level through the potential

for economies of scale in terms of the cost of reporting and the improved image of the sector or cluster as a whole, which cannot be realized by a single SME on its own. There is, however, the urgent need to mass educate Indian SMEs to report their CSR activities within the framework of globally recognized reporting forums.

Also found missing has been the supply chain pressures/opportunities to induce increasing number of SMEs to resort to CSR initiatives involving environmental and socioeconomic objectives. An exception was in the case of Sohrab Enterprises which seemed to have been receiving occasional inquiries from foreign clients of their CSR activities. Worldwide buyer requirements in the social and environmental fields are a possible way of promoting a greater uptake of CSR amongst the SME suppliers.

In none of the cases studied beneficiaries were found involved in the process of identification by the respective Foundations of the need to carry out such activities. All the CEO respondents relied on their intuitive reasoning and developed programs for the society based on their perspective. In effect therefore, like in every other developmental activity, a top down approach was the norm. It is not the case here that such a perspective is incorrect per se, but the impacts would have been far higher had the approach been based on mass involvement of the beneficiaries.

None of the studied SMEs had undertaken the exercise of the impact analysis of their CSR initiatives. They

seemed to be satisfied with what they were doing and the feeling that their efforts seemingly were contributing to the upliftment of the society.

Recommendations

It needs to be recognized that SMEs have a great potential to contribute to the society and therefore they need support in their endeavours. The main constraint, however, is the absence of formal organizational structures, both at the central and state levels, to initiate suitable policies and programs to sensitize the SMEs towards CSR, co-ordinate the efforts and monitor the outcomes at regular intervals. There is, thus, the urgent need to set up a CSR unit in the Ministry of Micro, Small & Medium Enterprises (MSME) on similar lines of that in the Ministry of Corporate Affairs. Similar organizational structures may have to be arrived at the level of state governments also.

As a corollary to the above, there has been another constraint on the SMEs' CSR efforts viz. the shortage of CSR projects which could stand the test of long term viability. This can be overcome through an effective and constant dialogue between the SMEs and the respective public authorities regarding the financially viable CSR projects. Such a dialogue may also extend to deal with the scope and methods of mobilizing supplementary financial and other resources from the state's own budget for potentially unviable but socially necessary CSR projects. It would be ideal if the state government supplements the SME's resources, in a PPP mode, by

assigning its own manpower and materials to such projects and also supplementing the cost of doing so, wherever found necessary.

It is recommended that a lead institution may be nominated in each district to serve as a mediator.

A majority of the SME-CSR initiatives are often led by ad hoc considerations (e.g. charity), and are characterized by disjointed efforts and duplication and lack of coordination. There is, thus, the case for an effective mediator between SMEs and the government and the society for promoting CSR. Such a mediator could educate the SMEs on the priority areas where CSR can be more meaningful by a constant dialogue among the agencies involved. It is recommended that a lead institution may be nominated in each district to serve as a mediator. The district lead SME-CSR agency could be from among the existing local institutions for higher learning, lead banks, CSIR/ICAR laboratories, small industry promotional agencies or other suitable developmental organizations.

There were widespread complaints from the SME-CEOs of the lack of support from the financial institutions/agencies for the CSR initiatives rendered by them. The bank norms/repayment schedules/interest rates etc. for lending to SMEs engaged in meaningful CSR related activities could be tinkered with marginally. It is likely that any relaxation in these norms/schedules/ rates for the CSR ac-

tivities by SMEs would not only encourage them to intensify their CSR efforts but also induce others to join the ranks. The existing provisions in this regard may be suitably amended to incentivize SMEs to resort to CSR initiatives. Such amendments, however, will have to be cautiously deliberated upon to avoid their likely unhealthy impacts on the health of the financial institution concerned as well as manipulation by the vested interests.

Reporting either the details of their CSR efforts or their outcomes under the auspices of any globally recognized agencies like the Global Reporting Initiative or other such forums has not been a practice by SMEs in India. In fact most of the Indian SMEs were unaware of such reporting forums and the potential benefits they could have derived there from. There may be more scope for SMEs to participate in CSR reporting if it can be done collectively at a cluster or sector level and derive the potential for economies of scale in terms of the cost of reporting and the improved image of the sector or cluster as a whole. The chambers of commerce/ trade & industry associations etc could perhaps lend their support in this regard. There is, however, the urgent need to mass educate Indian SMEs to report their CSR activities within the framework of globally recognized reporting forums.

Since SME entrepreneurs are invariably hard pressed for time and resources it is often futile to expect them to mass participate in training/ communication activities which do not directly involve their day to day functioning. Care should

be exercised to route such CSR trainings/ communications, as far as possible, through the existing forums like the industry/ trade bodies, chambers of commerce, consultancy outfits, NGOs etc who are regularly in touch with them for one or the other purpose.

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Supply chain pressures/opportunities to induce increasing number of SMEs to resort to CSR initiatives have been found missing. Worldwide buyer requirements in the social and environmental fields are a possible way of promoting a greater uptake of CSR amongst SME suppliers. Large buyers from the SMEs including the government (as is being proposed by the UPA government at the Centre to source a guaranteed minimum procurement from Dalit entrepreneurs) would serve it well if preferential treatment is extended to CSR serving SMEs when it comes to sourcing their bulk requirements. Even simple reminders about the CSR initiatives constantly received from large buyers could go a long way towards incentivising the SME efforts in this regard.

The ultimate aim of any CSR promotional effort among SMEs must be to positively affect the behaviour of a significant proportion of those enterprises. The guiding principle should be to foster small but significant steps by a very large number of enterprises, rather than striv-

ing for formal and sophisticated CSR policies amongst a small elite.

To convince future managers, entrepreneurs and workers that CSR is an investment in society that pays off in the long term, the social and environmental roles and responsibilities of enterprises need to be better integrated into all levels of education. Particular attention should be given to the integration of CSR into the education for entrepreneurship and into the relevant training for SME managers and staff.

The fact that SMEs are an extremely diverse group (size, history, sector, ownership, and so on) calls for a range of different approaches and strategies to

encourage CSR participation. Adapting the message and the nature of support to the different kinds of SMEs will be a key to success. Amongst other things, tailor-made approaches are often needed for small and micro-enterprises in comparison to medium-sized enterprises.

All the case examples presented here bear testimony to the need for the local community's involvement /support, directly or indirectly, to the full/partial success of SMEs' CSR initiatives. The least that could be done by the Ministry of Micro, Small & Medium Enterprises (MSME) is to recognize the CSR initiatives by SMEs through a suitably designed scheme of national awards.