

CSR: A Competitiveness And Growth Driver For MSME In India

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Abstract:

The Micro, Small and Medium Enterprises in India plays crucial role in industrial production, employment generation and overall socio-economic development of the nation. Being a Large in number and small in size, there contribution towards societal, environmental and sustainable development has not been recognized either because the law does not mandated to MSMEs to undertake CSR activities or if it has been undertaken not recognized. But, the fact is that, CSR play an important role in the business development as well as assures the sustainability of business. In this paper the CSR has been studied from the MSMEs point of view and how CSR Can brings competitiveness amongst them and at the same time tools for growth driver.

Key Words: *MSMEs, societal, environmental and sustainable development, CSR, business development, sustainability of business, competitiveness and growth driver*

Introduction:

Corporate sector in India has seen an unprecedented change due to India's economic reform and is major contributor particularly Micro, Small and Medium Sized Enterprises to the growth of Indian economy. It has not only helps to give global recognition to the country but also generated an employment.

Society at large affects from the business of corporate entity, it is the responsibility of the firm to carry on business which should take care of society and nation as a whole. Since establishment of industries in some way carrying social object. But in this age of globalization and highly volatile economic condition at global level, it is the challenges for country specially developing country like India to ensure they are a part of global changing time. An effort has been made in this regard through planning by public participation. Still there are some areas in a society which are neglected and underdeveloped. At this stage we

need more efforts not only from government side but also from corporate sector side for capital and innovative approach for development. Society expect from corporation to contribute for public good, so that they will be in a position for better livelihood and taking part in the global development process.

In this regards some corporate voluntarily came forward. A voluntarily guidelines has been already issued by the Ministry of Corporate Affairs in 2009, later Business Responsibility Report (BRR) by SEBI, NVGESG by MCA etc are in place. Recently the New Companies Act inserted a provision for mandated CSR under which every company in India fulfilling the eligibility criteria as mentioned in the act are mandated to spend towards CSR and report on the same.

MSMEs: Definitions of Micro, Small & Medium Enterprises is in accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

1. Manufacturing Enterprises:-he enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise are defined in terms of investment in Plant & Machinery.
2. Service Enterprises:-The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified, vide S.O. 1642(E) dtd.29-09-2006 are as under

Manufacturing Sector	
Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
Service Sector	
Enterprises	Investment in equipments
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees

Source: www.msme.com

The Share of MSMEs in GDP is 28.90% (MSME Annual Report 2018-19). There are total 633.88 lakh MSMEs in India operating in urban and rural area under manufacturing, trading, service and electricity category out of these 31% engaged in manufacturing activities and 36% engaged in Trading and 33% in other activities. 51.25% falls in rural area while 48.75% falls in urban area. In MSMEs 630.52(99%) enterprises are micro, 3.31(0.52%) lakh are small and 0.05(0.01%) lakh are medium size enterprises.

In terms of employment provided by MSMEs, based on the Annual Report of MSME 2018-19 it has been observed that, the sector created 11.10 crore jobs out of which 360.41 lakh in Manufacturing, 387.18 lakh in Trade and 362.22 lakh in Other Services and 0.07 lakh in Non-captive Electricity Generation and Transmission in the rural and the urban areas across the country. Further by categorizing industry wise it is seen that, the Micro Industry provides employment to 1076.19 (97% of total employment in the sector) lakh persons, Small sector with 31.95 lakh (2.88%) and Medium sector with 1.75 lakh (0.16%)

Various issues confronting MSMEs in India

The MSMEs sector in India confronted with various issues as mentioned in the diagram.



Despite of these issues, the Government has introduced the Make in India concept to bolster the growth of MSME with lesser compliance and suitable environment for ease of doing business.

Objective

- To study whether CSR plays role in MSMEs
- To study the benefits of CSR initiative to MSMEs
- To study the various strategies that can be adopted for implementation of CSR policy

Research Methodology

The present study is exploratory in nature based on secondary type of data. The secondary data is mainly collected through various books, journal, newspaper, research paper, article, reports of various government and non government organization. The main limitation of the present study is that it is based on the views expressed by various authors, researchers based on their finding and observation.

Review of Literature

CSR and MSMEs have significant relation as iterated by various researcher on the aspect that it help in the deeper penetration in remote area of the country, business success and long term pay off an investment. Annapurna Vancheswaran & VinayshilGautam (2011) In any company, giving a high priority to Corporate Social Responsibility (CSR) is no longer seen as an unproductive cost or resource burden. In fact, it is seen as a means to enhance reputation and credibility among stakeholders, something on which success or even survival may depend. It is evidenced from the study conducted by Vishnu Maya Rai (2016) CSR activities are not only helping the Big Companies but also small enterprises by creating competitiveness amongst MSMEs. Another view expressed by RuchiTewari&Taral Pathak (2014) 'collective corporate social responsibilities, (CCSR)/ cluster CSR/group of MSMEs. Enjang PeraIrawan (2016) argued that, MSMEs need different CSR model that should be innovative suiting to their business. Nair &Sodhi (2012) found that, large number of MSMEs is actively involved in socially releant activities beyong their immediate business pursue.

Corporate Social Responsibility and MSMEs:

It is noteworthy that, the Company Law, 2013 in India has brought huge changes in overall functioning of the businesses irrespective of micro, small, medium or large enterprises/units. Be it a strict adherence to timely compliance or corporate governance, one such important aspect in the law is Corporate Social Responsibility. Though, it is applicable to big size company having networth of rupees or turnover of rupees or profit of rupees not all MSMEs fall under this category except few.

Samit Jain (2014) UNIDO on its website on CSR defines Corporate Social Responsibility as a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. The SMEs need to realise that CSR is not just about spending money. It is an 'attitude'. The excuse of being small will only prevent the SME from becoming world class.

It is also fact that, the numbers of MSMEs in India are very large both in manufacturing and service sector operating in a scattered area, many of them having units in Recognized Industrial area. It is, in fact many manufacturing units having to some extent provided damages to natural resources like pollution, discharge of waste water etc. In most of the units whether manufacturing or service the employee are not under regular pay and many of the units have been shut down due to lack of product quality or satisfaction of consumer demand or rise of technologically advance startups.

Despite of this the MSMEs are growing and acted as a growth driver to economic development of the country.

Further, The United Nations Industrial Development Organization (UNIDO) has called for mainstreaming corporate social responsibility (CSR) or Enterprise Social Responsibility (ESR) in micro, small and medium enterprises (MSMEs) and to build capacities of MSME industrial associations to undertake socially relevant activities in their respective clusters in India. UNIDO has also highlighted the need to suitably modify the existing cluster development schemes of assistance undertaken by various Ministries so as to include socially and environmentally relevant activities for fostering inclusive growth.

<https://www.unido.org/news/unido-workshop-fostering-csr-msmes>

The new Companies Act, 2013 has mandated CSR spend of 2% of the net profit and has also provided the list of activities to be undertaken as CSR and its procedural and reporting aspect.

With such guidance, many new companies are now having opportunities first time to be a partner for nation building.

In India majority Industrial Units whether in manufacturing or in service are MSMEs and most of them are Micro units of which high number of MSMEs are unapproachable due to their non Registration with the government departments. It is also fact that large number of industrial pollution in India is due to MSMEs. It is here a big challenge to government to make them responsible business that addresses the environmental concern.

In spite of the above fact, MSMEs are complementary to large industries as ancillary units and their contribution is enormous to the socio-economic development of the country. Further most of the MSMEs are practicing responsible behaviour and significantly contributed to labour welfare, community development and the environment protection.

There are many companies to whom CSR applicable has started various project/ programs. If MSMEs can take this as a challenge for business growth opportunities to identify the project which will have significant positive social impact on the communities as well as witness and encourage sustainable growth.

Sharmistha Ghosh The core principle of CSR implies that every rupee spent needs to be measureable and that the long-term goal of every CSR programme should aim to be self-sustainable within a given timeframe. In the light of this ideology, there is an opportunity to build synergies and making micro, small and medium scale enterprises a key recipient and partners for channelizing CSR funds.

Many MSMEs have already been working for Community development, Education, environment production but it is also true that for MSMEs of which many are operating with low capital not possible to promote such activity. Proper mechanism from government side for making Joint CSR/ Cluster CSR is needed to bolster the responsible business practices that imbibe the corporate citizenship into the business strategies of the MSMEs.

PoorviSanjanwala (2019) it has been observed that SMEs have, in tandem ideated a bridge route to fill in the gap to efficiently conduct CSR activities jointly by pooling in their

collective resources in the same geographic area by creating a sizable fund to undertake CSR activities.

It is evidence from various studies that, practicing CSR by MSMEs can contribute to the marketing efforts and one of the best marketing tools now a days.

Categorization of MSMEs' CSR activities



Issues for CSR to MSMEs:

- Availability of Limited Resources
- Maintenance of balance between environmental and social obligation due to financial and CSR compliance
- creating harmony between workers and the management,
- Addressing the expectations of all stakeholders in business

Benefits of CSR to MSMEs:



Strategies for CSR

1. Collaboration or pooling of resources with joining hands with other MSMEs
2. Can develop Better exposure to new methods and processes as followed by large corporate
3. Enhance the quality of their processes and mechanisms in response to the benchmarks set by the collaborating agencies as a collective CSR
4. Development of process of enhancing associations between large enterprises and SMEs

5. Introduction of Responsible production with the help of NVG
6. Promoting environmentally safer production and consumption
7. Creating a robust business management strategy
8. a rethinking and an innovative redesigning of its engagement approach in order to gain a competitive edge in the global market
9. Practicing sustainability
10. Outsourcing to the CSR work NGOs/SOCIETY/TRUST/SECTION 8 COMPANY and forcing companies to focus on their core business

Conclusion

CSR is vital for any business irrespective of their nature, size or capital. Right from adhering to the regular compliance, creating healthy environment to community development CSR brings the spirit of growth and thus help in the long term sustainability of the business. It is not the case of CSR through which the MSMEs can enter into but developing an environment of responsible business practices is too important. It is in fact, the CSR has already been witnesses for bringing competitiveness among the MSMEs and has also been channelized the businesses in the path of growth. There is no doubt the contribution of MSMEs in the Economy for inclusive and sustainable development has been recognized by the government. It is not the government has the play the role for the redefining the MSMEs oriented CSR guidelines.

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