



**A STUDY ON NEED FOR A POLICY FRAMEWORK FOR CSR INITIATIVES BY
SMALL AND MEDIUM ENTERPRISES**

PRESENTED BY

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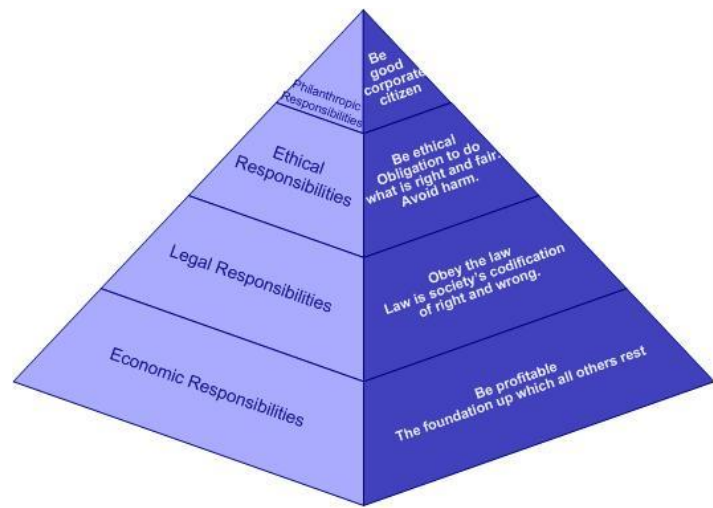
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INTRODUCTION

Corporate Social Responsibility (hereinafter, CSR) integrates a company's social commitments with its business operations. Over time, society has moved from a purely economic perception of companies¹ to the birth and growth of social responsibilities of corporations. CSR, however, does not mean the same thing to everybody. The perception varies from legal liability, to socio-ethical responsibility or even a fiduciary duty in some cases.²

The rationale behind and obligations towards CSR by companies are well reflected in the Carroll's pyramid of CSR as propounded by Archie B. Carroll in her legendary work *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organisational Stakeholders*. According to Carroll, CSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent.³



Carroll's CSR Pyramid

Figure 1

The debate surrounding CSR is whether companies are under any obligation to return to the society because the primary aim of any company is to earn profits and focus on primary stakeholders i.e. shareholders. In India, however, the debate has been settled with the passing of Companies Act, 2013, which makes it obligatory upon companies registered under the said statute to spend two per cent of their earnings if they fulfil the criteria laid down under Section 135.⁴ "CSR is the process by which an

¹ This is evident in the classical view of Milton J. Friedman that "the only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and the ethical custom of the country."

² Garriga & Mele, Corporate Social Responsibility Theories: Mapping the Territory, *Journal of Business Ethics*, Vol. 53, No.1/2 2004, Pg. 53 < <http://www.jstor.org/stable/25123282>> accessed 2nd February, 2017.

³ Archie B. Carroll, *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organisational Stakeholders*, *Business Horizons*, July- August 1991, 40.

⁴ Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility

organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations. CSR is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth."⁵

The present discourse on CSR is primarily focused on large companies. In India, these are companies that are exclusively registered under the Companies Act, 2013 (or previously Companies Act, 1956). However, it has excluded the CSR contributions made by small and medium enterprises. The small and medium enterprise (hereinafter SMEs) sector in India is a thriving industrial sector. The SMEs have a significant interaction with the society. The sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth. It consists of 36 million units, as of today, provides employment to over 80 million persons. The sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country.⁶

As per CRISIL SME ratings (which indicates the SMEs performance capabilities and financial strength), a large number of SMEs report healthy profitability, comparable to that of large corporates and present a strong financial profile.⁷

The SME sector is governed by the Micro, Small and Medium Enterprises Act, 2006 (hereinafter, the Act). Under this Act, the MSMEs are divided in two classes: (See Table 1)

1. Manufacturing Enterprises-The 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

Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

⁵Corporate Social Responsibility (CSR) Policy < <http://finance.bih.nic.in/documents/csr-policy.pdf>> accessed 20th February, 2017

⁶ MSME at a Glance, available at http://msme.gov.in/WriteReadData/eBook/MSME_at_a_GLANCE_EN.pdf, accessed 20th December, 2016.

⁷ SMEs Present a Strong Financial Profile, available at <http://www.crisil.com/Ratings/Commentary/CommentaryDocs/smes-present-strong-financial-profile.pdf>, accessed 10th January, 2017.

product having a distinct name or character or use. The Manufacturing Enterprises 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.

Sr. No.	Manufacturing Sector		Service Sector	
	Enterprises	Investment in Plant & Machinery	Enterprises	Investment in Equipments
1.	Micro enterprises	Does not exceed twenty five lakh rupees	Micro enterprises	Does not exceed ten lakh rupees
2	Small enterprises	More than twenty five lakh rupees but does not exceed five crore rupees	Small enterprises	More than ten lakh but does not exceed two crore rupees
3.	Medium enterprises	More than five crore rupees but does not exceed ten crore rupees	Medium enterprises	More than two crore rupees but does not exceed five crore rupees

Table 1: Classification of Micro, small and medium enterprises on the basis of investment in plant and machinery

SMEs being a robust and thriving business model in the Indian economy, several of them contribute towards CSR activities. They have primary knowledge of grassroot level problems and also have access to local resources. Interventions by them by addressing the needs of secondary stakeholders can have significant impact upon the society at large. They can take several steps in various areas of CSR such as promotion of education, promoting gender equality and empowering women, ensuring environmental sustainability, employment enhancing vocational skills and the like. Engaging in CSR activities increases the efficiency and competitiveness of SMEs through improved products, motivated employees, increased profitability and high customer loyalty. SMEs can undertake CSR activities either individually or in clusters.

Since the SMEs play such a significant role in the economy, a need for studying their contribution towards CSR activities becomes important in order to assess the CSR environment in the country. There is also a policy gap in the said field. At the cost of reiteration, the provisions for CSR under Section 135 of Companies Act, 2013 are applicable only to companies registered under the said Act. Small and medium industries, being registered under the MSME Act, 2006, therefore, have no law governing CSR initiatives taken up by them. Therefore, a proper policy would guide SMEs in their CSR initiatives and also bring about procedural uniformity.

AIM OF THE STUDY

The aim of the study is to suggest a policy framework to guide the SMEs in their CSR activities.

The **objectives** of the study are as follows:

1. To determine the level of participation by SMEs in CSR activities in the talukas of Gandhinagar and Kalol in the district of Gandhinagar.
2. To examine the areas in which CSR activity is done by SMEs.
3. To understand the procedural formalities adopted by the SMEs in their CSR activities.
4. To analyse the viability of CSR for SMEs.
5. To suggest a suitable policy framework for guiding the SMEs in their CSR activities.

SCOPE OF THE STUDY

The study is restricted to the analysis of small and medium enterprises and their efforts in CSR investments. The study is further limited to the talukas of Gandhinagar and Kalol. The two talukas were specifically chosen due to heavy concentration of small and medium enterprises in the said areas.

HYPOTHESIS

A policy framework would channelize the delivery of Corporate Social Responsibility initiatives by small and medium enterprises.

METHODOLOGY

The researcher collected primary data of the number of SMEs from the Office of the Industries Commissionerate, Gandhinagar. The universe consists of a total of 1193 small and medium enterprises. The researcher deduced sample for the survey from the universe, by first stratifying the

universe into small and medium enterprises⁸. Thereafter, using a confidence level of 95% and confidence interval of 15, the sample was concluded to 8 medium enterprises and 34 small enterprises. (Figures 2A and 2B). The research was conducted in the year 2016-17.

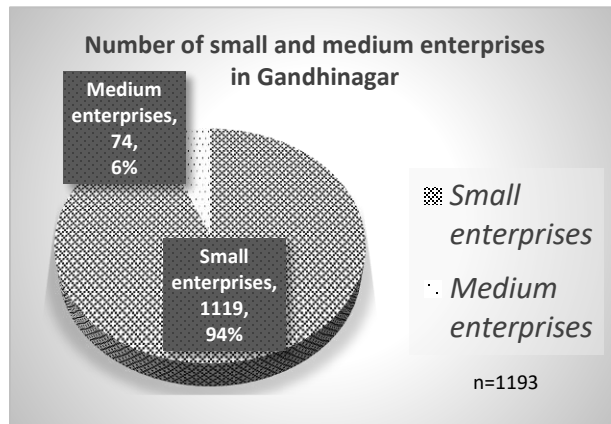


Figure 2A: Size of Universe of small and medium enterprises

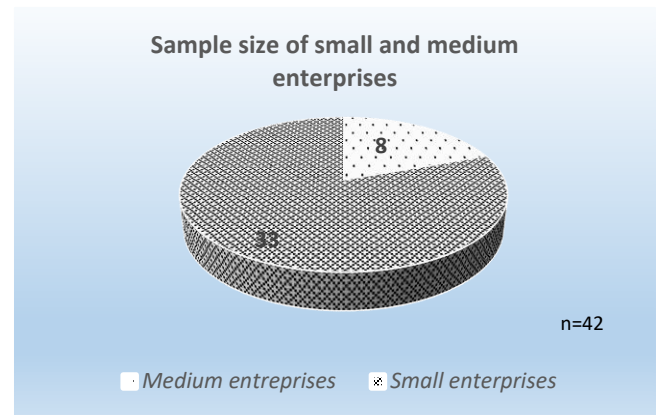


Figure 2B: Sample size of small and medium enterprises

⁸ The sample was determined by using the online software available at <http://www.surveysystem.com/sscalc.htm>, last accessed 20th February, 2017.

LITERATURE REVIEW

The research initiated from the article *-The pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders⁹*, *Business Horizons*, July-August 1991. This article provides a basic understanding of the nature of CSR and its constituents. It makes a discussion of the 'Pyramid of Corporate Social Responsibility' consisting of economic, legal, ethical and philanthropic responsibilities. It thereby provides the stepping stone for any research in the field of corporate social responsibility and, is crucial in understanding the rationale behind small and medium enterprises making CSR investments.

The researcher then explored similar studies conducted on the research problem by other authors in the areas of Chattisgarh¹⁰, Faridabad¹¹ and Pune¹². These studies have attempted to determine the primary contributions of entrepreneurs towards the development of CSR, and thereby, their contributions to the development of the community. These highlight the challenges faced by the SMEs due to their limited financial and human resources. This was supplemented by *Corporate Social Responsibility in Small and Medium Enterprises: Application of Stakeholder Theory and Social Capital Theory¹³*. The article proposes that SMEs are not always profit driven and that they are therefore fundamentally distinct from large organisations. Ethical operations and compliance with social norms are the most common values that drive such organisations. The researcher has tried to examine whether the same is applicable in the case of the sample being surveyed.

⁹ Carroll Archie B., *The pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*, *Business Horizons*, July-August 1991 <<http://faculty.wvu.edu/dunnc3/rprnts.pyramidofcsr.pdf>> accessed 20 February 2017.

¹⁰ Reshma Shrivastava & S.K. Pattanayak, *Corporate Social Responsibility in Small and Medium Enterprises with reference to Chhattisgarh* <<https://www.imtnagpur.ac.in/pdf/working%20papers/working%20papers%20icsms/Prof.%20Reshma%20Shrivastava.pdf>> accessed 17th December, 2016.

¹¹ Sandeep Gupta & Parul Khanna, *Corporate Social Responsibility: An Analysis in SME's at Faridabad Region*, 1 (8) [2011] *IJMR*, <http://zenithresearch.org.in/images/stories/pdf/2011/Dec/zijmr/21_VOL%201_ISSUE8_ZEN.pdf> accessed 17th December, 2017

¹² Anil V. Ravenkar, *Corporate Social Responsibility in Small and Medium Scale Industries: Study of CSR practices in small and medium scale Industries in Pune* <<http://bcfindia.org/Resources/CorporateSocialResponsibilityinSmallandMediumScaleIndustries.pdf>> accessed 18th December, 2016.

¹³ Suman Sen, *Corporate Social Responsibility in Small and Medium Enterprises: Application of Stakeholder Theory and Social Capital Theory*, [2011] *Southern Cross University* <<http://epubs.scu.edu.au/cgi/viewcontent.cgi?article=1213&context=theses>> accessed 20 February 2017.

The researcher also reviewed reports of the United Nations made on the research problem¹⁴. These reports examine the ‘silent social responsibility’ adopted by SMEs, thereby further establishing that SMEs take up CSR initiatives. They emphasize the significance of incorporating CSR needs in core business strategies, which will further entrench the CSR initiatives by SMEs.

¹⁴ Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries, report by United Nations Industrial Development Organization <<http://www.unido.org/fileadmin/import/userfiles/puffk/corporatesocialresponsibility.pdf>> accessed 20th January 2017; CSR Perceptions and Activities of Small and Medium Enterprises in Seven Geographical Clusters, Survey Report by United Nations Industrial Development Organization, <https://www.unido.org/fileadmin/user_media/Publications/Pub_free/CSR_perceptions_and_activities_of_SMEs_in_s_even_geographical_clusters.pdf> accessed 20th January 2017

DEMOGRAPHICS OF THE SAMPLE

The sample size consists of a total of 42 units, with **medium (n=8)** and **small enterprises (n=34)**.

The sample is scattered over the talukas of Gandhinagar (n=25) and Kalol (n=17). (*See Annexure 1*)

The researcher also focused on the age of the industries in order to determine whether antiquity has any impact upon the investments made in CSR. For this purpose, 2016 was taken as the base year.

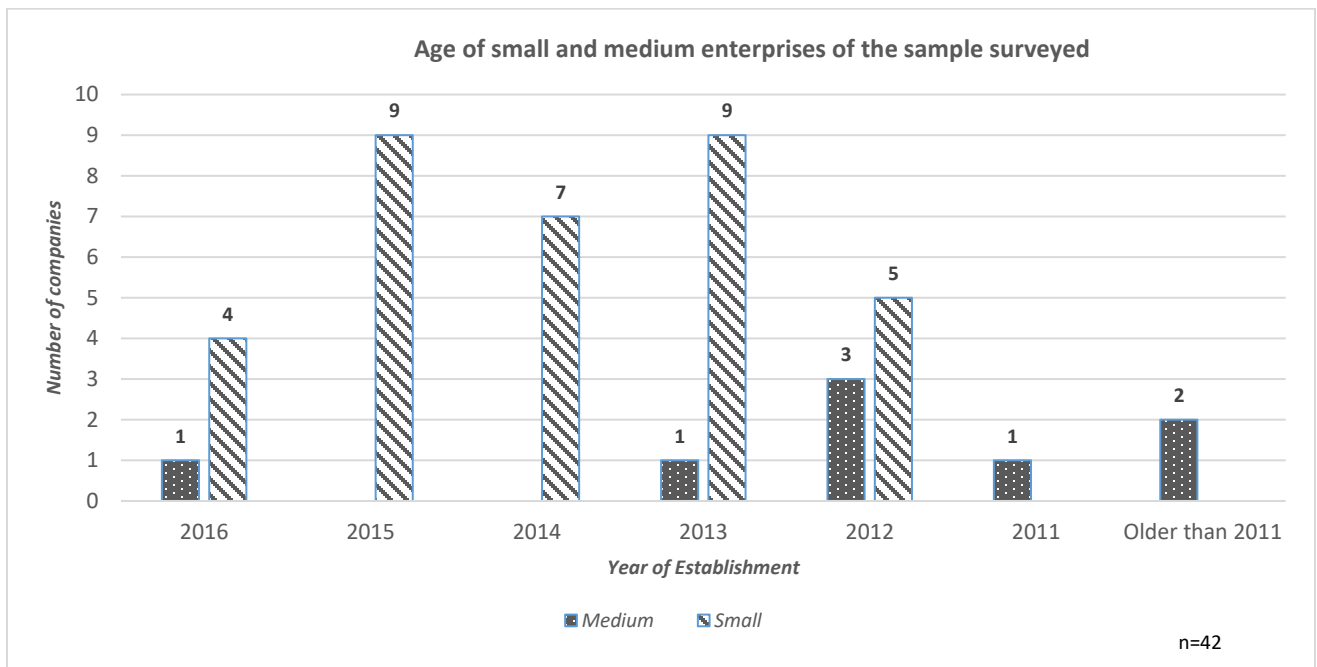


Figure 3: Age of small and medium enterprises

The respondents surveyed are not industry specific. They represent various small and medium industries such as fabric making, agro products, small scale manufacturing of chemicals, hardware, medical supplies, and assembling units.

DATA ANALYSIS

Belief in undertaking CSR activities

Irrespective of the size of the organization, both small and medium enterprises believe that CSR activities should be taken up by the corporate sector. 80% of the respondents surveyed answered in the affirmative for the will to take up CSR activities. This reflects that even without external interventions, small organisations too, are willing to invest in CSR activities. The affirmative response has been consistent amidst both small and medium enterprises. While 75% of the medium entrepreneurs surveyed show a conviction in making CSR investments, 80% of the small entrepreneurs also believe the same.

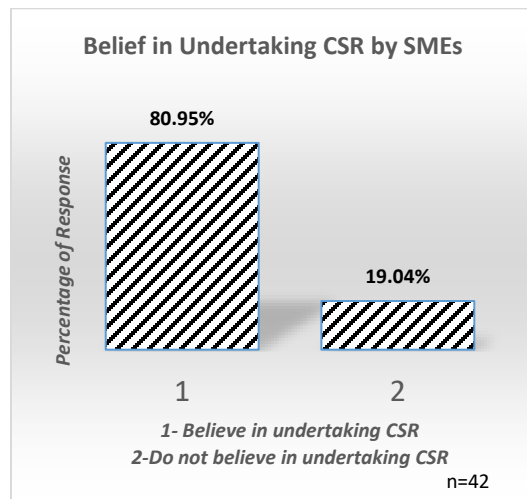


Figure 4A: Belief in undertaking CSR by SMEs

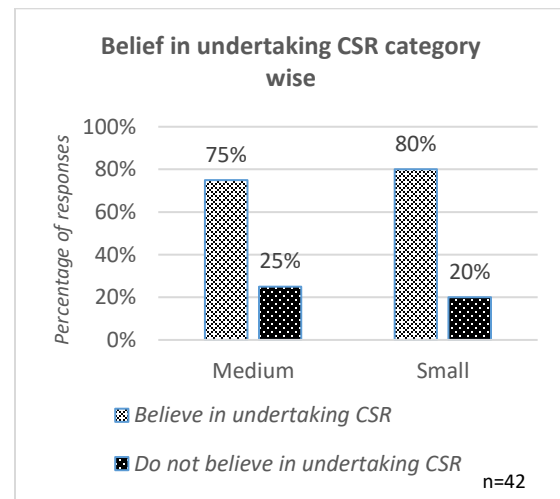


Figure 4B: Belief in undertaking CSR as per categories

SME'S Understanding of the Concept of CSR

The respondents surveyed were questioned about the areas in which they believe CSR should be made by them. They were asked to choose from the established areas in which CSR is usually made by enterprises. The options were consistent with the areas of CSR as are defined in Schedule VII of Companies Act, 2013.

Majority of the respondents (52.63%) believe that CSR must focus on educational activities. On the other hand none believe in investing in environmental sustainability or women empowerment. Amidst the 18.42% that believe in other forms of CSR, the primary focus is upon religious activities through donations. One respondent also practices CSR through undertaking spiritual activities in the community.

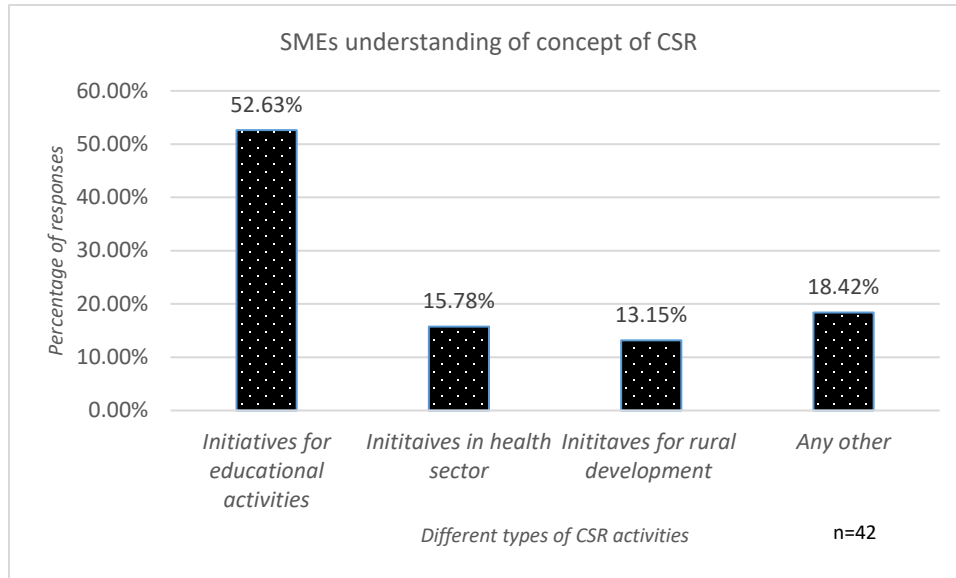


Figure 5: What do SMEs understand by the concept of CSR

Recipient of CSR Activities

Unlike CSR done by large companies, small companies tend to focus more on their employees and their families through CSR initiatives. This is owing to the close knit structure of small and medium enterprises. While management and board of large companies are often interested in their shareholders, who are their primary stakeholders; the organizational structure of small and medium companies consists of the entrepreneur and the employees that are not usually very large. Thus, a stark difference is seen in the approach of CSR by small and medium enterprises and the large companies¹⁵.

¹⁵ Large companies are prohibited from taking up CSR activities for their employees and families under Companies (Corporate Social Responsibility) Rules, 2014. Rule 4(5) states that the CSR projects or programs or activities that benefit only the employees of the company and their families shall not be considered as CSR activities in accordance with section 135 of the Act.

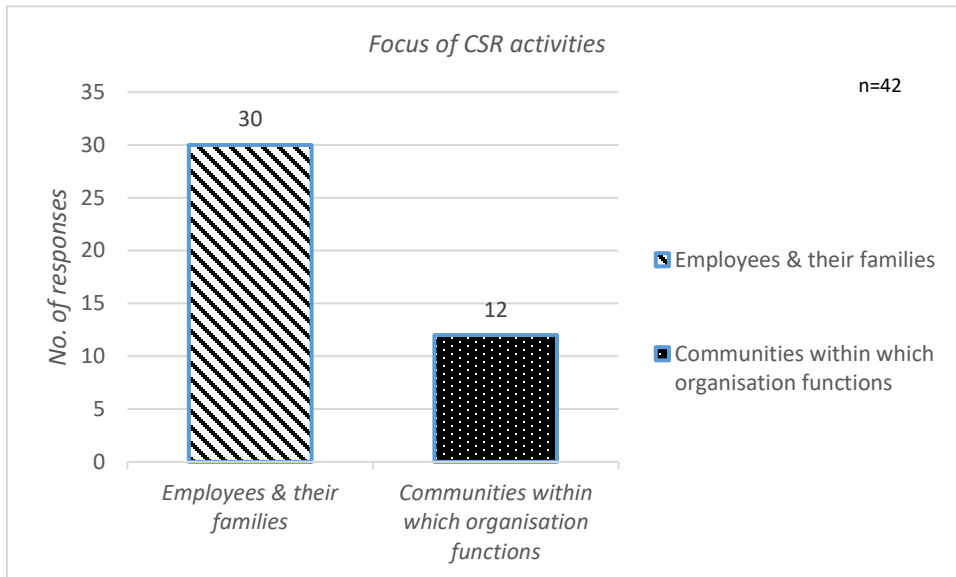


Figure 6: What should be the focus of CSR activities by SMEs

Motivation for CSR

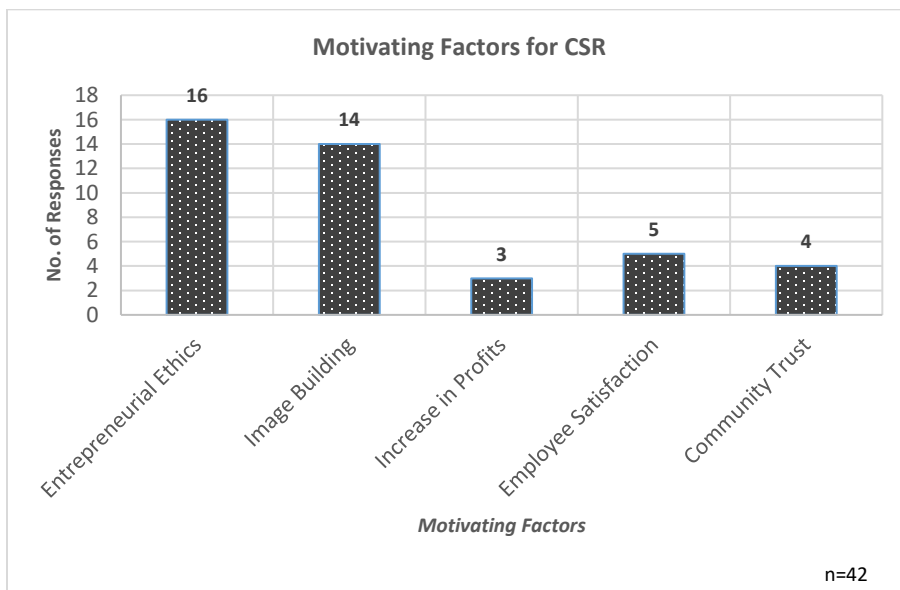


Figure 7: Factors that motivate SMEs to take up CSR activities

The most important driving factor for making CSR investments by SMEs is entrepreneurial ethics i.e. an internal conviction to take up CSR activities. This is in consonance with a group of CSR theories which believes that the relationship between business and society is embedded with ethical values. This leads to a vision of CSR from an ethical perspective and as a consequence, firms ought to accept social responsibilities as an ethical obligation above any other consideration.¹⁶ This is closely followed by image building of the organization. Investing in philanthropic activities is an effective way to improve the competitive advantage a firm has over others in the industry. There is not a significant difference between the two though. Thus, it can be said that economic factors too play a very important role in CSR investments. However, very few believe that CSR has an impact upon profit making of the organization.

Quantum of Profits and CSR

The common understanding among small and medium enterprises is that there is no relationship between the quantum of profits made by small and medium enterprises and CSR activities taken up by them. Thus, irrespective of their size and limited opportunities of making profits, as compared to large enterprises, both small and medium enterprises are well aware of the fundamentals of social responsibility.

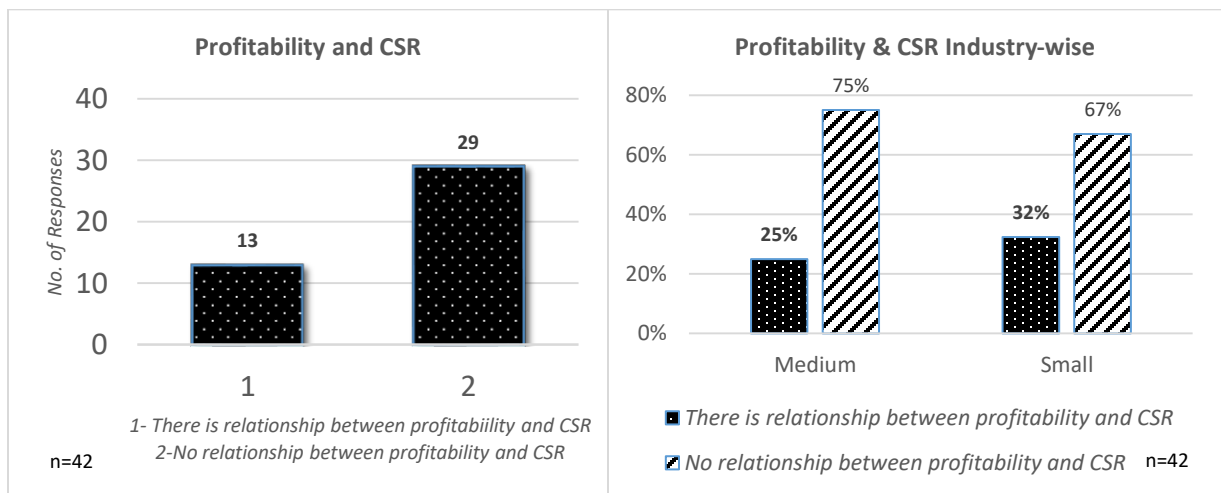


Figure 8A: Impact of profits upon decision to take CSR initiatives

Figure 8B: Impact of profits upon decision to take CSR initiatives category wise

¹⁶ Supra n2, Pg. 52

An important question that rises, therefore, is whether CSR is a mere means to profit? An increasing number of studies show a positive correlation between the social responsibility and financial performance of corporations in most cases. However, these findings have to be read with caution since such correlation is difficult to measure¹⁷

Specific areas of CSR Investment that organisations wish to invest in

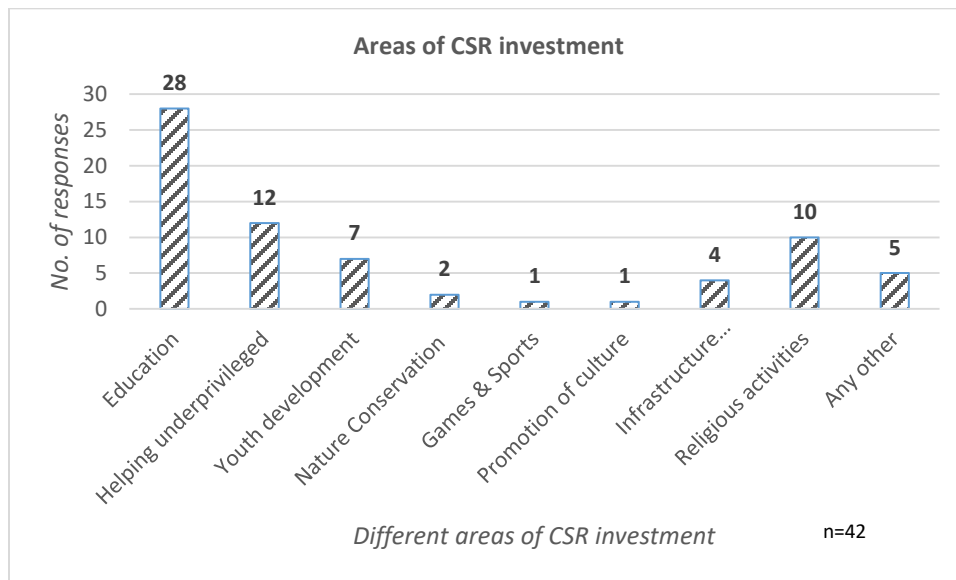


Figure 9: Specific areas of CSR investments that organisations wish to invest in

A consistency can be seen between the areas of investment that small and medium entrepreneurs believe they should invest in and their understanding of the concept of CSR. Other activities besides the ones categorized above include spiritual activities, organizing tiffin services and providing free drinking water to the general public. However, very few organizations have actually been able to make the CSR investments in recent past.

¹⁷ Supra, n2, Pg.53

Manner of Conducting CSR activities

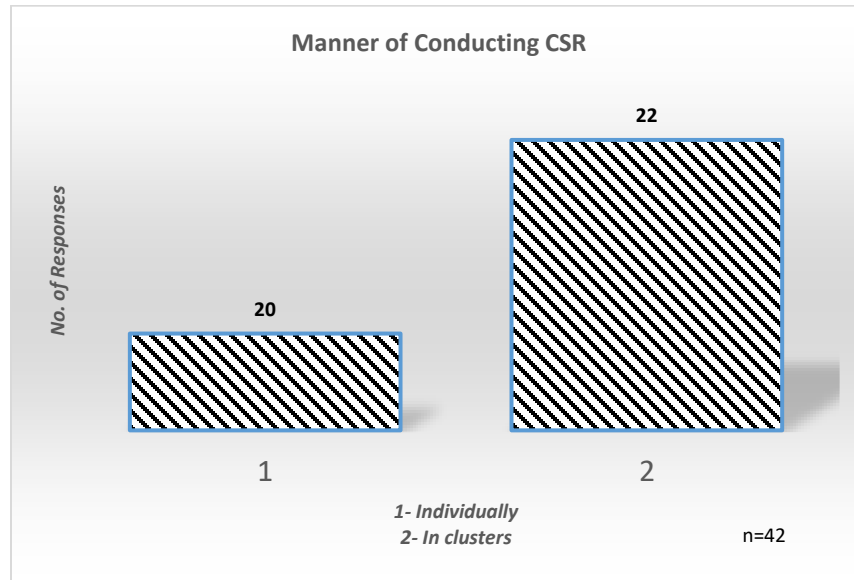


Figure 10: Manner in which SMEs prefer to conduct CSR activities.

A striking feature of the manner in which small and medium enterprises want to make CSR investments is in the cluster method i.e. companies belonging to the same industry believe that coming together and taking up CSR activities is more beneficial for them. This, they believe is because joint action is easier to implement. This is corroborated by other research conducted on the said element of CSR by small and medium enterprises.¹⁸

¹⁸N.K. Nair & J.S. Sodhi, CSR Practices by SMEs in India: Lessons from Five Case Studies, 2012 47(4) Indian Journal of Industrial Relations
<http://www.publishingindia.com/GetBrochure.aspx?query=UERGQnJvY2h1cmVzfC8xMTE4LnBkZnvvMTE4OC5wZGY> accessed 20 February 2017.

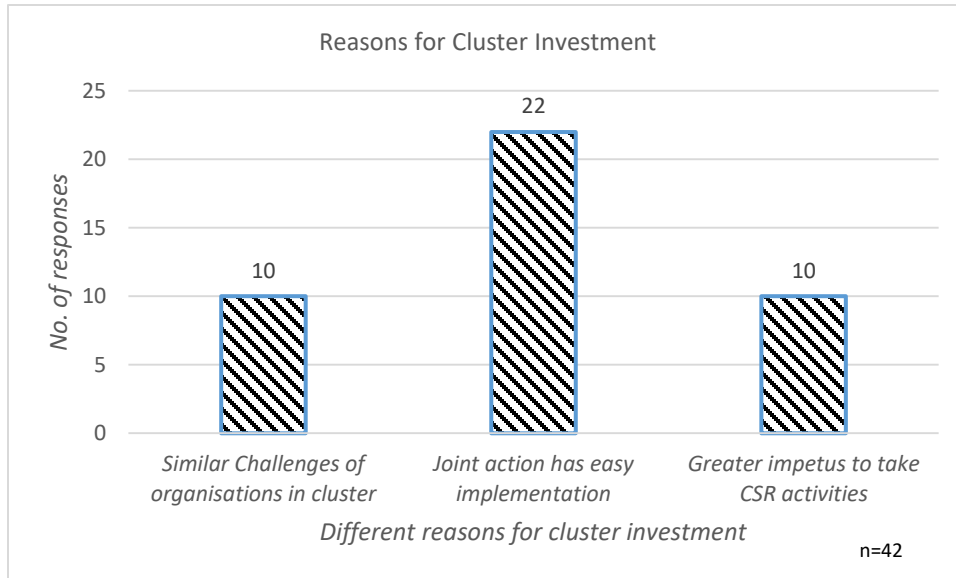


Figure 11: Various reasons for cluster investment in CSR initiatives by SMEs

However, this would require further delving into determining a procedural framework for making the proposition of making cluster investments workable. This assumes significance in the light of the fact as to how would the organisations coming together to invest in such a manner be held responsible in case of failure to invest in the agreed activities.

Procedural Framework for CSR

The respondents were also questioned on the manner in which procedural activities surrounding traditional CSR activities are implemented by small and medium enterprises. These involve budget allocation for CSR and reporting of CSR. The data collected shows that CSR activities are taken up informally by the small and medium enterprises. Budget allocations are not made by majority of the companies, and they also do not believe in reporting CSR activities i.e. formally incorporating these initiatives in their books of accounts. The latter can be associated with tax implications.

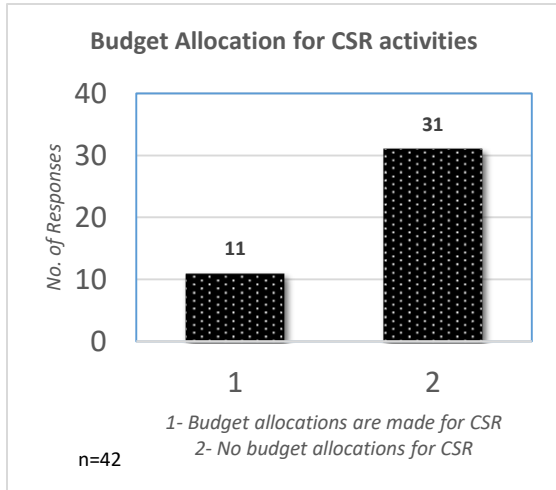


Figure 12A: Budget allocation by SMEs for CSR initiatives

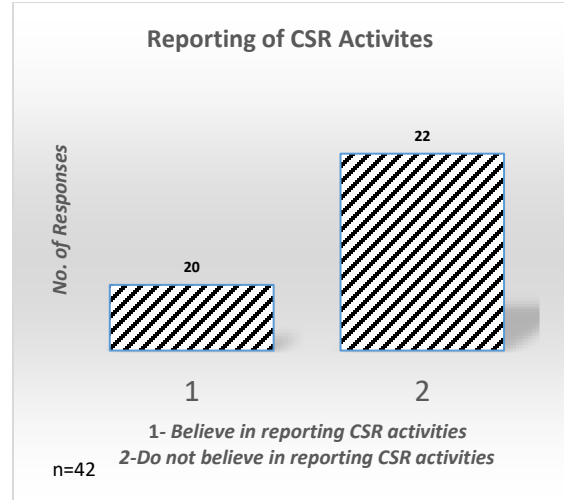


Figure 12B: Reporting of CSR activities by SMEs

Problems associated with CSR

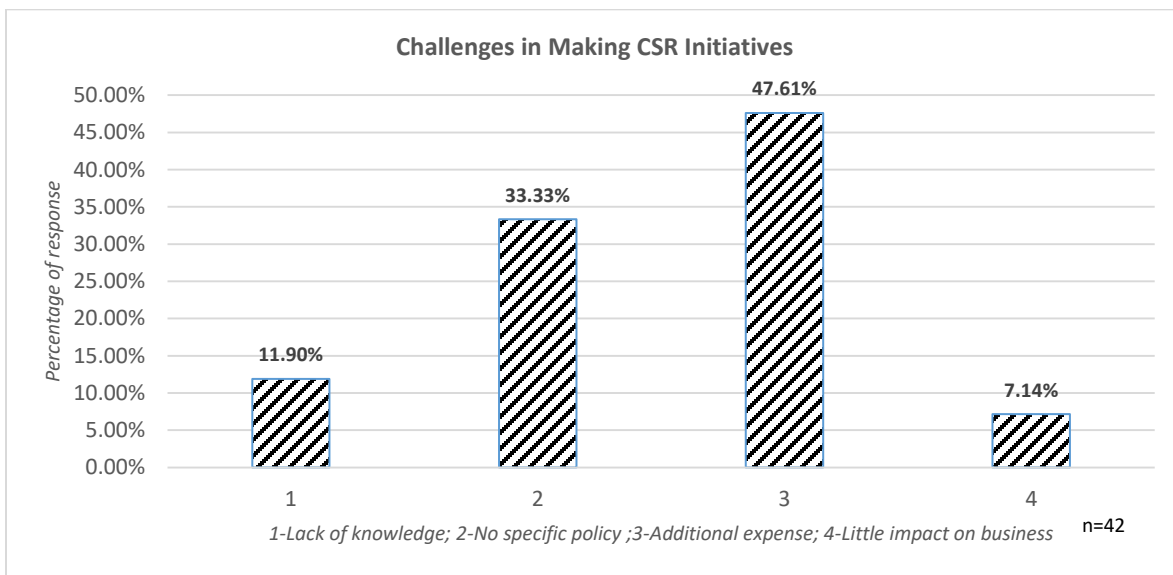


Figure 13: Challenges faced by SMEs in making CSR initiatives

The most prominent obstacle that small and medium enterprises face in taking up CSR activities is an additional expense on their balance sheets. This is corroborated by secondary literature as well.¹⁹ However, this is closely followed by a lack of specific policy on CSR by small and medium enterprises.

¹⁹ *Ibid.*

The researcher in order to test the veracity of the data collected used tests of statistical significance upon the responses to prove the hypothesis.

Test used- t-test with two samples assuming unequal variances. Rationale behind using this test was to determine whether on an average there is a difference of opinion between the small and medium enterprises regarding CSR investments. For all categories, α is 0.05

H₀: There is no relationship between size of an enterprise and the CSR activities.

H₁: There is a relationship between size of an enterprise and the CSR activities.

	<i>Variable</i> 1	<i>Variable</i> 2
Mean	4	17.5
Variance	8	220.5
Observations	2	2
Hypothesized Mean Difference	0	
df	1	
t Stat	-1.26301	
P(T<=t) one-tail	0.213171	
t Critical one-tail	6.313752	
P(T<=t) two-tail	0.426342	
t Critical two-tail	12.7062	

Result of *t*-test: $t(1)=1.2$, $p=0.21$

Since p value $> \alpha$, H₀ is accepted.

Thus, even though an organization is a small or a medium enterprise, with limited capital investments, it does not impact its ability to make CSR initiatives. Thus, even though SMEs have limited financial and human resources, they believe in undertaking CSR initiatives. This reflects a positive attitude companies have towards their social responsibilities. As discussed in the previous sections, CSR has several benefits for companies. Thus, SMEs believe in undertaking CSR.

H₀: Profits have no role to play in CSR.

H₁: CSR activities depend upon the quantum of profits.

	<i>Variable</i> 1	<i>Variable</i> 2
Mean	4	17
Variance	8	72
Observations	2	2
Hypothesized Mean Difference	0	
df	1	
t Stat	-2.05548	
P(T<=t) one-tail	0.144128	
t Critical one-tail	6.313752	
P(T<=t) two-tail	0.288257	
t Critical two-tail	12.7062	

Result of *t*-test: $t(1)=2.05$, $p=0.14$

Since p value $> \alpha$, H₀ is accepted.

Thus, the magnitude of profits have no bearing upon the ability of companies to take up CSR activities.

It is common perception to believe that higher the profits, more would be the inclination to take up CSR initiative, while lower profits would mean no CSR activities. However, as previously explained, there is a positive correlation between social responsibilities and financial performance, though the same needs to be read with caution. However, a striking number of respondents believe that the quantum of profits have little bearing on CSR initiatives taken up by the SMEs. The allocation of amount for CSR might differ. However, this does not mean that there would be no CSR initiatives taken up by them.

H₀: There is no relationship between CSR and age of organization

H₁: Age of an organization has an impact upon its CSR activities

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	15	3
Variance	50	8
Observations	2	2
Hypothesized Mean Difference	0	
df	1	
t Stat	2.228344058	
P(T<=t) one-tail	0.134271186	
t Critical one-tail	6.313751515	
P(T<=t) two-tail	0.268542372	
t Critical two-tail	12.70620474	

Result of *t*-test: $t(1)=2.22$, $p=0.13$

Since p value $> \alpha$, H₀ is accepted.

Amongst the respondents surveyed, most of them were recently established companies. (See *Figure 3*). However, the age of an organization has little impact on the desire of CSR activities by SMEs. Though older organisations will have more established systems of doing CSR, the newer companies do not shy from making CSR investments.

H₀: Specific CSR policy has no impact on CSR activities.

H₁: A specific CSR policy will have an impact upon the CSR activities of organisations

	<i>Variable</i> 1	<i>Variable</i> 2
Mean	12	4
Variance	8	2
Observations	2	2
Hypothesized Mean Difference	0	
df	1	
t Stat	3.577709	
P(T<=t) one-tail	0.086756	
t Critical one-tail	6.313752	
P(T<=t) two-tail	0.173513	
t Critical two-tail	12.7062	

Result of *t*-test: $t(1)=3.5$, $p=0.08$

Since p value $> \alpha$, H₀ is accepted.

A specific CSR policy though would guide the SMEs in making CSR initiatives, however, its absence does not preclude SMEs from taking CSR initiatives. Thus, a CSR policy at this hour is not inevitable as it is not the biggest challenge faced by the SMEs while making CSR initiatives (See *Figure 13*). Drafting a policy, however, would clear the air, on what constitutes CSR and the procedural formalities associated therewith. To this extent it would prove beneficial.

FINDINGS

It can be safely said that SMEs are not profit driven and are definitely contributing towards CSR activities. They are engaged in activities beyond their usual business pursuits, that can be classified as corporate social responsibility as per its classical understanding. Thus, the general perception that CSR is the domain of large companies is negated. This is relevant because small and medium enterprises have considerably better access to local problems and local resources. Thus, they play a significant role in the CSR framework of organisations.

Since these enterprises are smaller, the relative role of ethical consideration as a driver of CSR is highlighted. Personal values of entrepreneurs determine the scale and scope of CSR initiatives. The business case of CSR can be seen from image building, being the second most important driver of CSR. It helps them increase the goodwill of the organization, thereby attracting and retaining more consumers. However, a direct increase in profits as a driver for CSR does not play a very prominent role. This further establishes that not all small and medium enterprises are solely profit driven.

Since small and medium enterprises are close knit organizational structures, most of the CSR activities are intended to be focused upon their own employees and families of the employees. This represents an internal CSR rather than a community based external CSR approach. This is also understandable in the light of the fact that SMEs have limited financial and human resources. Due to this, SMEs also want that CSR initiatives should be taken up in clusters rather than individually. A cluster approach can help lower the cost of CSR investments, as also make the activities easier to implement.

However, the most significant obstacle in taking up the CSR initiatives is additional cost. Their primary concern is economic stability. Due to limited profits there CSR initiatives are also constrained. This is in keeping with the universal principle of CSR pyramidal structure. This is closely followed by lack of a specific policy on CSR being a barrier for CSR initiatives.

CONCLUSIONS

The researcher believes that at this stage, a policy mandating small and medium enterprises to make CSR investments will not be suitable. As established earlier, a policy at this hour is not inevitable. However, a set of guidelines would be beneficial in order to streamline the CSR activities.

This guideline can:

- Delimit the areas of CSR activities, thereby, defining what constitutes CSR and what must be excluded. Having observed the trend of religious activities forming part of CSR activities of SMEs, it would be suggested to exclude the same from the proposed guidelines.
- Lay down profit slabs on the basis of which the recipients of CSR initiatives can be identified. This implies that demarcation of recipients of CSR should be made on the basis of profits made by SMEs. For companies that make low profits, the recipients of their CSR initiatives can be the immediate stakeholders i.e. the employees and their families. However, higher profits should put the responsibility upon companies to diversify the outreach of their CSR activities, by including the secondary stakeholders (community within which the organization functions) as well.
- Must formulate a procedure which allows for cluster investments. It is significant as many SMEs believe in undertaking CSR in clusters. This is also unique to SMEs owing to their structures and limited financial and human resources. Therefore, the guidelines must assist the SMEs in setting up a framework wherein it is clear how cluster investments would be made and onus of responsibility in case of failure to implement the committed CSR initiatives.
- Must make it clear if CSR activities by SMEs are eligible for tax deductions or not. In order to clear ambiguities regarding tax exemption on CSR activities undertaken by companies registered under Companies Act, 2013, the government amended Section 37 of Income Tax Act and clarified that any expenditure incurred by an assessee on the activities relating to CSR mentioned under Section 135 will not be deemed to be an expenditure incurred for the purpose of business or profession. A similar clarification will have to be made for CSR initiatives by SMEs otherwise they might use CSR as a tool to get tax exemptions.

Besides a formal set of guidelines, entrepreneurship and law institutes can also organize workshops sensitizing small and medium enterprises about the importance of CSR activities as an integral business strategy. This will serve as a platform for creating awareness about CSR and its importance, both to

society as well as businesses. The government, if it deems fit, can carve out funds that can be provided to these institutes so that the same can be used to organize such sensitization workshops. This can in fact prove to be a cyclical collaboration, wherein the institutes invest in sensitization of the SMEs regarding their investment in CSR initiatives; and, the SMEs return to the society by making such investments, the benefits of which go to these institutes, directly or indirectly.

SMEs must also be informed about the importance of diversifying their CSR approaches to include investments in areas such as women empowerment and environmental sustainability. Traditional areas of investment are certainly welcome. Yet, it is also important that SMEs must be promoted to invest in other areas, the significance of which have increased drastically in the present times. These will also help in fulfilling India's international commitments.

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Annexure 1

Sr. No.	Name of Enterprise	Area
1.	Shreeji Garments	Gandhinagar
2.	Moba Automiles	Gandhinagar
3.	Kalptaru Power Transmission Ltd.	Gandhinagar
4.	Shree Shubham Logistics Ltd.	Gandhinagar
5.	Jayant Circuits	Gandhinagar
6.	Super Steel Industries	Gandhinagar
7.	Gajanand Enterprise	Gandhinagar
8.	Siddhi Vinayak Tubes	Kalol
9.	Gelco Electronics	Kalol
10.	Ambica Timber Industries	Gandhinagar
11.	Appollo Laminates	Gandhinagar
12.	Global Meditech	Gandhinagar
13.	Raj Products	Kalol
14.	Electric Controls	Gandhinagar
15.	Mynah Packaging	Gandhinagar
16.	BioPlast India	Gandhinagar
17.	KT Engineering	Gandhinagar
18.	Gopinath Chemtech Ltd.	Kalol
19.	Ambuja Containers	Kalol
20.	Durga Tractor	Kalol
21.	Topsun Energy Ltd.	Gandhinagar
22.	Usha Electronics	Gandhinagar
23.	Grace Products	Gandhinagar
24.	Swarnim Developers	Gandhinagar
25.	Jaktech Hydraulics Ltd.	Kalol
26.	Regent Control	Gandhinagar
27.	Kamal Industries	Kalol
28.	Umiya Electronics Co.	Gandhinagar

29.	Kichen Xpress Overseas	Kalol
30.	Greenland Agro	Gandhinagar
31.	Vimal Control	Gandhinagar
32.	Starvox	Gandhinagar
33.	Sangini Fabrics	Gandhinagar
34.	Modern Motors	Gandhinagar
35.	V.R. Metal	Kalol
36.	Tirth Enterprise	Kalol
37.	Madhu Packaging	Kalol
38.	Ganesh Engineering	Kalol
39.	Absolute Specialty Chemicals	Kalol
40.	Ramanand Plastic	Kalol
41.	Shalin Laminates	Kalol
42.	Keshar Plast	Kalol