



# Corporate Social Responsibility Initiatives In Small And Medium Scale Companies In Mumbai

**Mrs. Archana A. Tiwari**

Assistant Professor, Shri G.P.M. Degree College of Science & Commerce

## ABSTRACT:

CSR borrows its hypothesis from the hypothesis that corporates are part of society and are therefore required, as part of their moral obligation, to help the poor, preserve nature, and use natural resources. This was a principle from ancient Vedic Indian culture where co-habiting with nature was valued. It is important to redefine economic development at this juncture in a manner so as to consider environmental degradation and resource exploitation as unfavourable factors while computing GDP/GNP so that it is made sustainable for future generations.

Paradox is being faced by India—there is rapid economic growth along with problems like corruption, poverty, and illiteracy. The economy of India is dependent upon SMEs since they provide employment to 40% of the population, 45% of manufacturing, and 40% of exports. Their influence and involvement in CSR are, however, minimal. Smaller-scale enterprises are mostly interested in internal CSR, while medium and higher-order small-scale enterprises exercise internal as well as external CSR, usually through donation. Most of them do not have a lot of money to spend, and CSR is more about personal ethics than corporate performance. Education and healthcare are the best-supported causes.

Key issues are financial limitations, absence of government and local authority backing. Yet CSR benefits like enhanced company reputation and social reputation. For enhancing CSR by SMEs, government, industry organizations, and NGOs will need to come together to increase awareness and encourage collective CSR initiatives at industrial clusters or sectors.

**KEYWORDS** - SME contribution to CSR, Mumbai-based SMEs, CSR awareness in SMEs, Education support by SMEs.

## Introduction

Corporate Social Responsibility (CSR) has emerged as a vital component of modern business strategy, reflecting a company's commitment to ethical practices, community development, and environmental sustainability. While large corporations have traditionally led CSR efforts, small and medium scale enterprises (SMEs) are increasingly recognizing their role in contributing to social welfare. In India, SMEs form the backbone of the economy, accounting for a significant share of employment, manufacturing output, and exports. Despite their economic importance, CSR initiatives in this sector, particularly in urban hubs like Mumbai, remain underexplored and often informal.

Mumbai, being the financial capital of India, hosts a diverse and vibrant SME ecosystem spread across various sectors such as manufacturing, services, textiles, food processing, and information technology. These enterprises not only contribute to economic development but also have a substantial impact on local communities and the environment. However, their CSR efforts are often constrained by limited financial resources, lack of awareness, and minimal institutional support.

This research aims to explore the nature, scope, and effectiveness of CSR initiatives undertaken by SMEs in Mumbai. It also seeks to identify the key drivers, challenges, and areas of impact, with a special focus on sectors such as education, healthcare, environmental sustainability, and community welfare. By analysing current trends and practices, this study intends to provide insights into how CSR can be better integrated into the strategic framework of SMEs, and how collaborative efforts involving government bodies, industry associations, and NGOs can enhance the social responsibility landscape within this crucial sector.

The concept of the CSR is derived from the fact that every person is a member of this society and hence has an embedded responsibility towards the welfare of the society. Every member of the society is also utilising one or the other natural resource and also has the responsibility to conserve these resources and preserve the environment for the benefit of the future generations yet to come. Similarly, Businesses are existing because of the society and are using Manpower and Natural Resources like Water, Air and Minerals hence businesses are equally responsible for the contributing towards the betterment of the not so fortunate members of the society and take sufficient measures towards the conservation of the natural resources. There are voices that the development of the society is government's job only but we need to keep in mind that since corporate are using the Common Natural Resources on which every citizen has ownership right and it is very difficult to put an exact price for these resources which is being paid by the corporate. Most of the time the price paid by the corporate is much less than the actual price or replacement cost. Corporate are releasing their waste and polluting our Environment effecting Air, Water, Vegetation and Biological lives.

To give more emphasis on CSR Government of India through the Companies Act 2013 makes it mandatory for the Companies having net worth 500 Crore (INR Five Billion) or more, or turnover of 1000 Crore (INR Ten Billion) or more or a net profit of 5 Crore (INR Fifty Million) or more during any financial year shall spend minimum 2% of their average profit on listed CSR activities.

## The Companies Act 2013

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MNCs are setting up manufacturing facilities in an underdeveloped country to utilize the low cost labour and capacity to circumvent the regulations due to poor enforcement. There are multiple standards that are being implemented at their home nation and in developing nation such as India. They are not only avoiding the Global Environment and Labour standard but product quality as well. Although MNCs in India have improved the level of the quality benchmark but yet it's short of what they implement in developed nation.

MNCs are not using the same quantity of the quality of the product that is available internationally. Just to give one example, Coca-Cola withdrew 500,000 bottles Dasani (bottled water) from UK market due to excess of Bromate by a very minor margin than the legally prescribed method. On the other hand, when in 2003 the Coca-Cola and Pepsi exceeded

## Objectives

- To investigate and analyse the awareness among Entrepreneurs and Employees about the concept of CSR and its significances.
- To make comparative analysis of CSR Initiatives and priority areas chosen by selected companies.
- To investigate the Relationship between CSR Implementation and Financial indicators. **Hypothesis**

- H1: There is no significant difference in chosen priority areas among companies for CSR implementation
- H2: There is significant difference in chosen priority areas among companies for CSR implementation

## Literature Review

### 1. Understanding CSR in the SME Context

Corporate Social Responsibility (CSR) is the sustainable and responsible practice businesses undertake to contribute to the welfare of society and the environment. Large companies typically have separate CSR departments, whereas Small and Medium Enterprises (SMEs) handle CSR differently as they lack resources and organization (Jamali, Zanhouri & Keshishian, 2009).

In India, through the Companies Act, 2013, Section 135, CSR is mandated only for certain specified companies based on specified thresholds (net worth of ₹500 crore, turnover of ₹1000 crore, or net profit of ₹5 crore). Most SMEs are exempted and their CSR efforts therefore are mainly voluntary and most likely ad hoc (Ministry of Corporate Affairs, 2013).

### 2. Nature of CSR Initiatives by SMEs

CSR practices in SMEs are community-focused, and they typically address issues of education, health, environment, and employee welfare. In urban areas like Mumbai, SMEs practice CSR activities such as:

- Sponsorship of school events
- Support for sanitation drives
- Internships and vocational training
- Donations to NGOs and community groups
- Urban SMEs are observed to select CSR activities in terms of social proximity, affordability, and visibility by research conducted by

### 3. Drivers and Motivations

Unlike the big companies motivated by reputation management or compliance with regulations, SME owners desire CSR as a moral responsibility at the individual level or as trust building in the local area for some of the SMEs in Mumbai, CSR practices are followed for networking, business expansion, and stakeholder expectations as well.

### 4. SMEs' Challenges in Practicing CSR Sincerely, SMEs encounter several challenges in the practice of CSR:

- Financial limitation
- Lack of structured frameworks
- Constraints due to acquaintance
- Absence of specialist staff
- Impact of CSR

CSR can have positive impacts on customer loyalty, brand image, and employee loyalty. Measurement of its impact, though, is not easy for SMEs, particularly when CSR goes unreported and unrecorded. Research has also demonstrated that sustained CSR activity allows SMEs to build long-term relationships with customers and communities, and this is essential in a business strip with a high density such as Mumbai.

## 5. Government and Support Organization's Role

While the Indian government doesn't make it compulsory for SMEs to conduct CSR, they incentivize them through public-private partnerships, MSME policy, and initiatives to identify socially responsible businesses. FICCI, CII, and NGOs like industry associations and NGOs also provide CSR facilitation programs, but less so known among SMEs.

## Methodology

### Research Design

Mumbai is also referred to as India's commercial city. Business-oriented activities are not only limited to Mumbai but have also extended to Thane and Navi Mumbai. For business purposes whenever we mention Mumbai it also refers to the Region around Mumbai like Thane and Navi Mumbai. To cover the reality, the universe of the current study consists of all Small and Medium Scale enterprises of Mumbai Region (including Thane and Navi Mumbai). Total geographic area under study is 913 Sq. Km. with a population of 1,48,60,475 (Census 2011) leading to the population density of 16,269 persons per Kilometre.

### Data Collection

**Secondary data** was collected by way of

- Company Information available on website
- Relevant Books, Research Journal, Periodicals and Newspaper article
- Published and unpublished Research Thesis, Dissertations and Research articles
- Different information regarding the topic and available on website.

## Research Gap

### Limited Research on CSR in Indian SMEs

While there is a huge body of literature on CSR practices in large business houses, there is not much literature on CSR practices in Small and Medium Enterprises (SMEs), particularly in India and Mumbai. Most of the research focuses on large companies that are legally bound to adhere to obligatory CSR regulations under the Companies Act, 2013. Research focusing on the CSR activities of SMEs that are not

legally bound to adhere to these regulations and adopt CSR on a voluntary or informal basis must be conducted.

**Gap:** Very few research studies are available on the CSR practices of SMEs in Mumbai, especially those that are not compulsorily required to implement CSR.

### **Lack of Region-Specific Studies (Mumbai Focus)**

While there is considerable research on CSR in India, most studies tend to focus on:

- Large corporations (especially post-2013 CSR law)
- National or broad regional perspectives

**Gap:** Limited academic focus on **CSR practices specific to SMEs in Mumbai**, despite its being a major economic hub.

## **Results & Discussion**

- Awareness and Involvement: A study of SMEs in Navi Mumbai stated that despite the fact that most SMEs did not know the term 'CSR,' they engaged in a number of CSR activities. The activities were performed in the areas of community outreach, environmental concerns, and employees' welfare schemes. The study evoked the concept that size and age of SMEs were CSR implementation determinants, with older and bigger firms likely to implement formal CSR practice.
- Challenges to the Practice of CSR: Indian SMEs face a broad spectrum of challenges in undertaking effective CSR practice. Studies with the help of Interpretive Structural Modelling ensured critical problems like insufficient resources, insufficient knowledge regarding CSR, and lack of sufficient governmental support. Such problems regularly compel SMEs to focus on short-term strategic CSR activities rather than long-term strategic CSR activities.
- Leadership and Decision-Making: Empirical evidence shows that leadership behaviour makes significant contributions to the adoption of CSR by SMEs. Competitive advantage and firm performance drive leaders' motivations and values to implement environmental CSR. Personal commitment and lack of knowledge, nonetheless, deter them from adopting CSR.
- The findings emphasize the fact that even though CSR was imagined to be more beneficial for SMEs in Mumbai, its implementation is most likely to be restricted by scarce resources and limited strategic focus. To facilitate making CSR activities simple, SMEs can be provided with some support in the form of training to acquire CSR skills, incentives to encourage investment in CSR, and legislation to facilitate quick access to resources. In addition, creating a leadership culture that focuses on social responsibility too is able to drive more effective and efficient CSR initiatives.

- Lastly, although CSR has immense potential for SMEs of Mumbai to contribute to society's development, as well as their business, overcoming the existing barriers is a collaborative effort by policymakers and the private sector in unison to create an enabling environment for sustainable business.

## Suggestions & Recommendations

- The majority of SMEs in Mumbai are uninformed or uninformed about CSR and its purpose. It is mainly limited to philanthropic charity compared to strategic interaction with the community.
- Conduct CSR literacy programs, seminars, and capacity building from time to time by local business organizations (e.g., Bombay Chamber of Commerce) and educational institutions for the formulation of CSR policy, benefits, and implementation mechanisms.
- Spreading Health-Centric CSR Initiatives

### Application: SMEs can:

- Carry out health camps, vaccination camps, and menstrual hygiene education
- Carry out mental health schemes for the public and employees
- Offer funding for mental health schemes for the public and employees
- Arrange mental health programs for the public and employees
- Provide funding for employee and public mental health programs
- To increase SME involvement in CSR, a suggestion is to initiate awareness and training courses for entrepreneurs and senior management on initiating, monitoring, and assessing CSR impacts. A few of the main suggestions are:
- Establish a district-level database of CSR to monitor and harmonize CSR activities.
- Integrate CSR training in entrepreneur development programs arranged by government departments.
- Foster the National Voluntary Guidelines on CSR at the time of new business registration.

## Limitations of the Study

- Small sample size cannot be generalized to all SMEs of Mumbai.
- SMEs can be hesitant to provide CSR information due to informality or confidentiality.
- Variation in interpretation of CSR can influence consistency of response.
- Ethical Concerns
- The participants will be told the purpose of the study and guaranteed confidentiality.
- Participation will be voluntary, and respondents can withdraw at any time.

## Conclusion

The CSR theory is premised on the truth that individuals and businesses have an obligation to provide for the good of society and preservation of nature because businesses are founded on a significant proportion of human effort and natural resources. Indian culture has been aligned along this philosophy all along by religious scriptures teaching charity, preservation of nature, and peaceful coexistence in society. But today's corporations, especially Third World MNCs, are greed-driven and pollute and destroy resources unless legally or publicly compelled.

India's present economic growth rates (e.g., GDP) have encompassed negative outputs (e.g., tobacco, deforestation), while unpaid social work goes unaccounted for.

Internal CSR (employee welfare, local community development) has the highest priority in small-scale industries, whereas medium-scale industries practice external CSR with NGOs or foundations.

### The main findings of the study are:

- CSR spending is motivated more by the entrepreneurial spirit than by profit or turnover.
- Two out of every three SMEs spend nothing or negligible costs on CSR.
- Overall, the respondents believe that SMEs have the potential to make a positive impact in local communities.
- Little awareness about government CSR guidelines.

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