

## **COMPARATIVE ANALYSIS OF CSR MODELS USED IN SMALL AND MEDIUM SIZE INDUSTRIES IN INDIA**

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### **ABSTRACT**

Small and medium enterprises are considered as the backbone of Indian Economy in this era. SME is considered as one of the most vibrant and dynamic sector and is considered as the “engine of growth” for the country. This particular sector plays an important role in resolving the chronic problems of poverty, inequalities, under paid employment and unemployment in the country. In this era industries are mostly being judged not on the products and profits they make, but also on the ways in which these huge profits are made and utilized. Corporate Social Responsibility (CSR) is gaining a lot of momentum throughout the world as most of the companies have begun to realize about their stakeholder’s interests. Small and Medium Enterprises (SME) in India are focusing on improving social and environmental responsibilities by paying attention on the issues of CSR. This paper describes the concepts of CSR in SMEs and how they are implemented and types of CSRs and socially responsible business models practiced in SMEs.

**Keywords:** *CSR, SME, Business, Model, Economy, Environment, India*

### **INTRODUCTION**

Corporate Social Responsibility (CSR) helps the company’s to measure and control their impact on society. CSR identifies company's contributions in positive and negative manner towards the economy, environment and greater community of society. CSR can be also stated as follows: Corporate Social Responsibility (CSR) is the duty of business to carry on ethics and monetary improvement while trying to improve the personal satisfactions of their workforce and their families just as the neighborhood network and society. There are no "right" ways in which companies can practice CSR but each and every company try their best way out to practice CSR for the betterment of society. This paper purpose is to focus on the CSR business models and types of CSRs your business can practice in day to day business. The study of this paper has identified the threats related towards socially responsible business models.

## **LITERATURE REVIEW**

Michael L. Barnett [February 06, 2008], the author in his study of Corporate Citizenship and Reputation Risk, says that corporate citizenship projects can help organizations to address notoriety dangers and give chances to accomplish all notoriety gains while moderating all notoriety loses. George Seraphim [August 27, 2010], the author in the study recommends that socially capable companies do get increasingly huge proposals late in respect to prior ones. The study has identified that organizations with higher perceivability get suitable proposals for their respective CSR methodologies and experts with more experience and extensive CSR mindfulness and those with more assets available with them bound to see estimation of CSR techniques positively. Monicka Hartman [June 1, 2011], the author says that CSR is on high demand for nourishment organizations and it has a solid effect and high reliance on the economy and on society. The study has identified CSR's dangers and all openings that are progressively moving from firm level to sustenance supply chain management and sustenance systems. Significant difficulties are identified for the future because of firm heterogeneity and assorted variety in CSR approaches.

## **OBJECTIVES OF THE STUDY**

The objectives are as follows:

- ✓ To study the impact of CSR on small and medium size industries.
- ✓ To explore the impact of social responsible business models.
- ✓ To identify the threats of social responsible business models.
- ✓ To explore the types of CSRs your business can practice in day to day business.

## **RESEARCH METHODOLOGY**

The research methodology is qualitative. The data analyzed is mostly from secondary sources including books, reports, journals, and other reliable online sources. However, the researcher also interviewed managers and executives from SMEs and that helped in reaching the final part of research including recommendations and conclusion.

## **IMPACT OF CSR ON SMEs**

CSR can benefit a company in following ways:

- It helps to improve companies brand image. When customers and delegates see evidences of social responsibility, they start thinking positively towards the company.

- It relates to workforce morale. Morale tends to be higher at companies that invest more efforts and resources into ethical and socially responsible behaviors.

## **SOCIAL RESPONSIBLE BUSINESS MODEL**

### **CSR MODEL OF HIERARCHY**

The first model of framework for CSR is the Hierarchy Model. This section is highlighting theoretical models that can be useful in providing a major understanding of the sources of CSR orientations in small and medium size industries and differences with MNCs. The first framework model is the four part definition for CSR that is **economic responsibilities** it includes responsibilities of jobs, wages, and services, **legal responsibilities** it includes responsibilities of legal compliance and sticking by the rules of the game, **ethical responsibilities** it includes responsibilities like being moral and doing what is right, and fair, and **discretionary responsibilities** it includes responsibilities like optional philanthropic contributions, it is reorganized in a pyramid constructed below as shown in Fig 1. SMEs accord maximum priority and attention towards few types of responsibilities than others, which extremely deserves for further consideration and attentions.



**Fig 1: Hierarchy Model**

### **CSR MODEL OF SIDE-BY-SIDE**

The second framework model for CSR is the Side-by-side Model. The side-by-side model has three elements that are principle for motivating responsible behavior, the processes of responsiveness and the

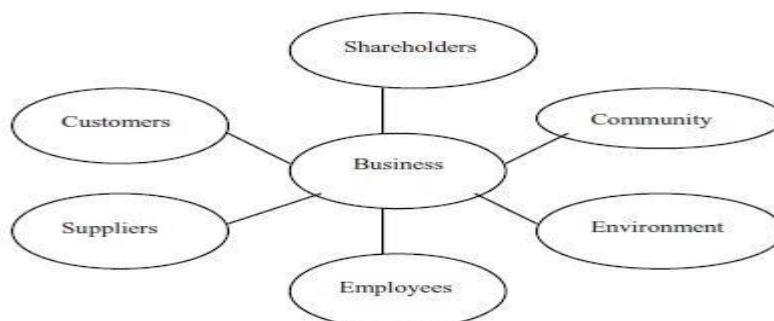
outcomes of social performance as shown in Fig 2 below. Integrated CSR approach would entail accordingly towards all three aspects of CSP that are principles of CSR, processes of social business responsiveness and outcomes of corporate behavior. Then all domains of the firm's operations such as economic, legal, ethical, and discretionary. SMEs and MNCs may differ with respect on principles of social responsibilities, processes of social responsiveness, as well as observable CSR outcomes of social relationships.



**Fig 2: Side-by-Side Model**

### **CSR MODEL OF STAR**

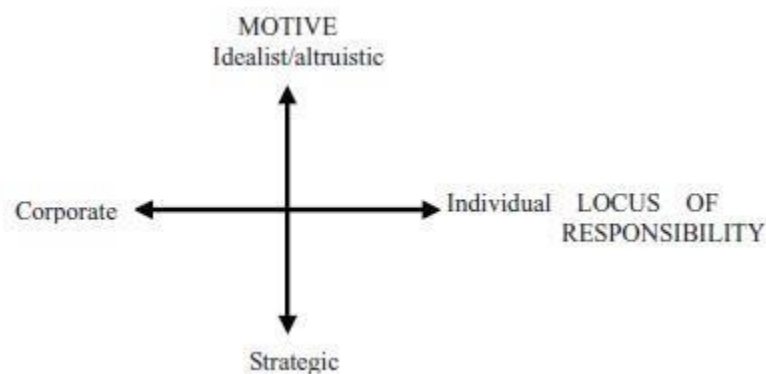
The third framework model for CSR is the Star Model. This model helps in shedding light on the peculiarities of SME with relation to CSR. Star model helps in re-conceptualizing the nature of the firms, encourages for new external stakeholders, beyond the thinking of traditional pool type shareholders, customers, employees, and suppliers. Stakeholder relationships are increasingly recognized as the most important aspect of differentiation in cases of SMEs. It is said that SMEs forge few stakeholder relationships with specific stakeholders for setting their stakeholder management orientation apart from those of MNC.



**Fig 3: Star Model**

## **CSR MODEL OF COORDINATE**

The final model of CSR is the Coordinate Model. The model has identified two dimensions for the analysis of CSR in day to day practice which involves motivation basis that includes strategic versus altruistic and the locus of responsibilities that includes corporate versus individual. Strategic motive seeks to reconcile firms and managerial interests related with social interest, while the altruistic motive is related to humanitarian. Locus of responsibilities attributes responsibilities for all social actions to the corporation itself as definition of CSR, while individual locus of responsibilities shifts the entire attention towards the roles of individual managers as champions of CSR; it exercises stewardship and influence specific social interventions. SME and MNC may differ with those two dimensions, which warrant closer scrutiny and investigation.



**Fig 4: Coordinate Model**

## **THREATS OF SOCIAL RESPONSIBLE BUSINESS MODELS**

- ❖ The firm should avoid participating in charitable programs that are not at all related to their core business or violate the firm ethical standards in any form.
- ❖ The firm should not blindly send money to completely unrelated organizations; always find a non-profitable organization that your firm believes in or a specific project in your community.
- ❖ Firms should not use CSR opportunities for marketing purposes.
- ❖ It is said that running a corporate responsibility campaigns for quick marketing schemes can backfire if your business ethics do not follow it.
- ❖ Instead of performing one-time act, firms can adopt socially responsibilities as business practices over time. It is said that employees and consumers react positively towards that firms that embrace long-term social responsibilities.
- ❖ Do not fall for unsustainable activities that aren't legal.
- ❖ Adopt socially responsible norms early, set the bar for your industry standards and refine firm processes.

- ❖ CSR initiatives are a win- win situation for everyone involved in the program.
- ❖ The impacts of firms actions will not only appeal to socially conscious customers and employees of the firm but it will also make a real difference in the world for all.

### **TYPES OF CSRS YOUR BUSINESS CAN PRACTICE**

1. **Environmental efforts:** The major focus of CSR is the environment. All business plants regardless of huge sizes have large carbon footprints. Any step a firm takes to reduce its footprint is considered extremely well for both the industry and the society.
2. **Philanthropy:** firms can practice social responsibilities by donating funds, products or services to social causes and nonprofits organizations. He firms tend to have largenumber of resources that can benefit charities and various local community programs. However small firms CSR efforts can make a big difference in society. If there is a specific charity program a firm has on mind then reach out to the specific organization or any organization ask them about their specific needs and whether a donation of funds, time or your firm's products would suit their needs.
3. **Ethical labor practices:** Firms can also demonstrate CSR by treating employees of the firm fairly and ethically. This is completely true to those businesses that operate in international locations with labor laws that are different from those in the United States.
4. **Volunteering:** Volunteering in local causes and giving your time and your staff's time in community events says a lot about a firm's sincerity. Firms doing good deeds without expecting anything in return or in their favor, firms can express their full concern and support for specific issues of society and social causes.

### **CONCLUSION**

The study has stated the different types of CSR your business can practice in day to day life and the different types of threats for social responsible business model. The study has also proved that socially responsible business models practices in SMEs and CSR changes the purchasing behavior of the customers for their products on the bases of corporate social responsibilities (CSR) that the SME firms takes in India these days. The study of this paper has stated that CSR helps to improve companies brand image and the companies should not use CSR opportunitiesfor marketing purposes, if the CSR campaigns backfires it can diorite brand image in society. Further studies or research can be carried on bases of social responsible business models and methods that SMEs firms use to practice CSR in Indian society.

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