Executive Summary

Companies are increasingly attracting the attention of media, academicians and policy makers around the world from points of view of ethics and sustainability. Accordingly, companies take initiatives to create positive image of them on the society in which they operate, as summarized by the phrase “trying to look good, by doing good.” Corporate Social Responsibility (CSR) is an integral part of business strategy of companies across the globe. Of the 250 largest multinational corporations, 64% published CSR reports in 2005, either within their annual report or in separate sustainability report. CSR is also an issue of importance at the boardroom level. In 2005, 360 different CSR-related shareholder resolutions were filed on issues ranging from labor conditions to global warming, (Michael, 2006).

CSR - practices adopted by large companies is an area which has been researched to a significant extent. However, there exists limited research on CSR practices of small and medium enterprises (SMEs), especially in the Indian context. While large companies are often motivated to conduct CSR because of branding and the difference between SMEs and large companies in the resource availability. SMEs are comparatively at a disadvantage in undertaking effective CSR practices as they have limited staff and monetary resources. There is a need for specific SME knowledge on CSR engagement, that can contribute to the development of understanding how to effectively promote CSR among SMEs, and to develop relevant programs and policies, and, hence, to benefit from the huge potential for CSR development. (Morsing, 2006).
In this thesis, an attempt has been made to study SMEs approach and issues which determines CSR practices among Indian SMEs. Further, this thesis tries to understand the attitude of SMEs and the factors which affect selection of their CSR program. This thesis also examines which kinds of CSR activities appeal SMEs.

A two-part questionnaire was specially devised for this purpose to scrupulously gauge the effectiveness CSR practices adopted by SMEs. The questionnaire included to a large extent the major issues related to CSR practices among SMEs.

The questionnaire was administered to nearly 800 SMEs in western India mainly from the industrial belt of Maharashtra and Gujarat. More than 300 fully-filled questionnaires were received and authenticated. Data from these questionnaires were analyzed using ‘Factor Analysis’ and several other statistical procedures to corroborate the reliability of the sampling techniques.

The major finding from this research is the perceived advantage SMEs get while undertaking CSR programs. It also tries to understand rationale behind undertaking some CSR practices. This study tries to find out how much money on an average SMEs allocate for their CSR program and whether there any correlation between the amounts spent on CSR and their annual turnover or the profitability of the SMEs.