Responsible Business Practice (RBP) and Indian SMEs: A Study

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Abstract:

Studies on small and medium enterprises or SMEs in India are scarce. What little is known shows that there is need to know more about this sector, specially on their performance on responsible business practices. This paper reports the findings on the environmental awareness and practices of Indian SMEs, from a study conducted by the present authors on 200 SMEs, in manufacturing and service sector, in the two Indian states of West Bengal and Odisha. The study results show that environmentally responsible practices, and the related concept of social responsibility of business are yet to take root at the Indian SME level. Some of the major findings reported are the lack of knowledge and interest about environmentally responsible business practices among the SME owner-managers, the perceived disconnect between environmental practices and socially responsible business practices, the total absence of reporting practices in the sector, the disinterest in 14001 certification. The study also mentions the perceived barriers and constraints reported by the SME owner-managers in the path of greater engagement with environment. On the whole, the study concludes that there is an urgent need for sensitization, training, and mentoring the Indian SME owner-managers in order to develop their capabilities for improved environmentally responsible business practices. (205 words)

Keywords: Indian SMEs, Responsible Business Practices, Environmental Responsibility.
Responsible Business Practices and Indian SMEs

1. Introduction

Changing times, and changed business environment, place a greater importance on corporate social responsibility (CSR) and business ethics today. Socially, it used to be expected that business would embrace CSR voluntarily, but lately we find that the nature of that expectation has also changed. Many countries, e.g. Australia, Denmark, Netherlands, have chosen to make CSR reporting a mandatory activity by the listed companies, required either by the law, or by the stock exchange regulations, or by both.

India has gone one more step ahead. Considering the unsuccessful track record of voluntary CSR in the country, India has recently (2013) passed a new law, Companies Act (2013), which has made CSR spending and CSR reporting both legally mandatory activity by certain qualifying companies.

Previously, discourses on CSR by business used to focus only on the large corporations, and the small and medium businesses used to be excused. The recent discussions and research publications on CSR and business ethics, however, have started to include the micro, small and medium enterprises (MSMEs) also (Moore and Spence 2006; Vo 2012; Delchet-Cochet and Vo 2012; Tran and Jeppesen 2015). There seems to be a growing recognition that irrespective of their sizes, every kind of business, including the small, owes certain obligations to the society (Lepoutre and Heene 2006; Morsing and Perrini 2009; Srinivasan 2009; Pandya 2012; Parameshwara and Raghurama 2013; Singh and Singh 2014; Painter-Morland and Spence 2009).

This is further reflected in the government policies of some countries. The new Companies Act, (2013), India has set the eligibility criteria for companies in such a way that now it includes certain small and micro enterprises (SMEs) also within the ambit of mandatory CSR. The Government of India clearly has sent the signal that the SME sector can play a pivotal role in driving the growth engine for India, and is capable of shouldering social responsibility.

However, studies on Indian SMES and their responsible practices are relatively scarce. Literature survey shows that most of the studies on socially responsible practices by SMEs are on SMEs in the European Union and in other developed countries. Very little is actually known about the CSR and business ethics practices of the Indian SMEs.

Whatever little is known, on the other hand, raises some concerns. For instance, in comparison to the European SMEs, who supposedly show a heightened commitment to their social and environmental responsibilities

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(Spence and Perrini 2009), studies on Indian SMEs and their ethical business practices (Banerjee et al. 2007; Srinivasan 2009; Roy et al. 2013; Agrawal and Jha 2015) show that the concepts of CSR and business ethics are not at all institutionalized in them. Also, Srinivasan (2009) in her study on Indian SMEs observed that the ethical orientation of the SMEs is a product of the ethical orientation of their owner-managers. Thus, the engagement of an Indian SME in any CSR or ethical activities seems to be more of a fortuitous chance than a regular phenomenon. Studies also indicate that the Indian SMEs report that various challenges in their path impede their possible engagement in socially responsible initiatives.

It follows that there is a need for more studies on Indian SMEs and their socially responsible practices. This paper wishes to contribute in this particular area. It tries to find out the awareness level of the Indian SMEs about their social responsibility, and about the relevant activities adopted by them, and tries to gauge from their perspective the constraints faced by them.

This paper, however, is an excerpt from a recent study conducted by the present authors on 200 Indian SMEs (100 in the manufacturing sector and 100 in the service sector) with employee size between 5 to 150, in the two Indian states of West Bengal and Odisha. With the benchmark concept of Responsible Business Practices (RBP) (Moore and Spence 2006; Ryan, O’Malley and O’Dwyer 2010), which is briefly explained in Section 3 of this paper below, a 31-item questionnaire was developed for a web based survey. This was followed by semi-structured, personal interviews of 45 owner-managers (25 from IT SMEs, 20 from manufacturing of SMEs). Samples were taken from both service and manufacturing sectors. In the service sector, only Information Technology (IT) SMEs were considered; for, the Indian IT sector is now a key global player, and one of the main sources of employment and economic growth of India (Das et al. 2004). In the manufacturing sector, the respondent SMEs represented manufacturing activities in diverse fields, e.g. steel, electronics, machinery, tires and tubes, plastic and polymers.

Out of the findings from that study, the present paper reports only on what the study found out regarding the environmentally responsible practices by the Indian SMEs, and the constraints and challenges mentioned by the SME owner-managers. The details will be presented in the paper.

We may justify the choice to report the findings about environmentally responsible practices by the Indian SMEs as follows:

India is supposed to have in total about 36 Million SME units, which provide employment to about 80 Million people (4th All India SME Census), which is about 40% of the workforce of the vastly populated country. It follows that individually each SME may be small; but as a totality their number is staggering, and as a collective they do and are capable of causing significant adverse impact on the environment, unless they adopt environmentally responsible practices. It is estimated that Indian SMEs, as a segment, contribute to 70% of the total industrial pollution in India (Jaiswal 2014; Singh et al. 2014). Speaking more specifically, the manufacturing sector in India is known to cause air, water and soil pollution by dumping their wastes irresponsibly. Similarly, poor E-waste management by the IT firms is emerging as a critical waste issue in India (Mahesh, 2007). These indicate that in the times when there are great worldwide concerns about climate change, and global warming and their link to
environmental pollution, India cannot reach its environmental goals only by controlling the environmental practices of the large corporations. More information on the environmental initiatives adopted by the Indian SMES, or on their non-compliance, and on the felt challenges, therefore, is both timely and important.

In conformity to the original study, this paper has investigated the environmental practices of the Indian SMEs with reference to the concept of Responsible Business Practice (RBP), as mentioned earlier. This concept will be briefly explained in section 3 below. First, let us find out a little bit about the Indian SMEs.

2. The Indian SMEs

What is an SME? The definition and the criteria vary from country to country. For example, in the European Union, the SMEs are defined as those enterprises which (a) employ less than 250 persons, and (b) whose annual turnover does not exceed EUR 50 Million, and (c) has an annual balance sheet total that does not exceed EUR 43 Million. A small enterprise is supposed to have less than 50 employees with an annual turnover and/or annual balance sheet not exceeding EUR 10 Million (European Commission 2003).

In India, however, an SME is defined with reference to the sector, manufacturing or service sector, only in terms of the size of investment in the plant. For example, the Reserve Bank of India (RBI) and the Micro, Small and Medium Enterprises Development (MSMED) Act (2006), India, define and classify the SMEs as follows:

<table>
<thead>
<tr>
<th>Service sector investment in INR</th>
<th>Manufacturing sector investment in INR</th>
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<tr>
<td><strong>Small</strong></td>
<td><strong>Medium</strong></td>
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<tr>
<td>10,00,000 to 20,00,000 (Approx US$15,025 - US$ 30,046)</td>
<td>25,00,000 to 50,00,000 (Approx. US$ 37,547 – US$ 751507)</td>
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<tr>
<td>20,00,000 to 50,00,000 (US$ 30,046-US$ 75,150)</td>
<td>5,000,000 to 100,00,000 (US$ 751507-US$1502861)</td>
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Table 1. Definition of SME (Source: India Corporate week, 2009; The Reserve Bank of India, 2009)

About 36 Million Indian SME units produce 6000 kinds of products covering 45% of total manufacturing output, and creates 8% of the GDP and 60% of the export.

The section 135, of the new Companies Act 2013, India, mentions that the mandatory CSR reporting and spending at least 2% of its net profit on CSR are applicable to any company, which has:

(a) INR 1000 Crores (INR 10 Billion) or more as turnover
(b) Or, net worth of INR 500 Crores (INR 5 Billion)
(c) Or, a net profit of INR 5 Crore (INR 50 Million, or Approx US$ 751507) in a financial year.

These qualifying criteria brings many Indian small and medium enterprises into the ambit of mandatory CSR spending and reporting. Studies have already argued that the Indian SMEs have the right kind of capabilities, as they have the right kind of exposure to the local problems and also the access to the local resources to engage in CSR (Nair and Sodhi, 2012). Now, the Government of India also wants the SMEs to engage actively in CSR, spending
some of their profit on the socially significant and developmentally important activities, and reporting about them, as part of their CSR. The schedule VII of the said act provides a list of activities from which a company may choose its CSR programs.

3. What Responsible Business Practice (RBP) is:

RBP is a term that has been devised by business researchers to refer to the responsible, ethical business practices by the SMEs. They explain (Moore et al. 2009) that, as a concept, RBP is not essentially different from CSR. As in CSR, RBP is about the extra-financial, social and moral obligations that an SME has towards the larger society and to the environment. RBP in SMEs represents essentially the same or similar obligations as a large firm assumes under CSR activities (Kechiche and Soparnot, 2012). The terminological difference, however, is to acknowledge some key differences in the way the obligations are met.

The SMES differ from the large corporations in various ways, e.g. in the organizational structure, in the availability of resources, in their employee and investment sizes. These differences lead to the differences in their approaches to CSR; the manifestations and the nature of implementations of these obligations also differ in SMEs from those by the large corporations.

For instance, SMEs have been found to manage their CSR practices in a more informal way in comparison to the larger corporations. SMEs, unlike the large corporations, are typically managed by the owner. Being owner-managed with a limited number of employees, SMEs promote their socially responsible practices in an informal way through a close connection among the owner-managers, the employees and local community (Mousiolis et al. 2015).

Some have made the curious observation that, unlike many large organizations which carry out their CSR with explicit strategy and disclosure, SMEs often engage in CSR in their day-to-day business activities without considering these as CSR activities (Vives 2005). This is why CSR by SMEs has been called “sunken” (Perrini 2006) or “silent” (UNIDO 2013). In this also, the SMEs stand apart from the large corporations.

Furthermore, research shows that the SMEs exhibit distinctive difference in their CSR implementation strategy. For example, Graafland et al. (2003) claim that small enterprises prefer a strategy of having a dialogue with the stakeholders, as opposed to the strategy of compliance with the law. The dialogue strategy pays attention to the expectations of the stakeholders of the firm and focuses on responsiveness to the ideas, interests, and values of others.

The term RBP has been devised in due recognition of these distinctive characteristics of the responsible practices by the SMEs. In this context, ‘being responsible’ means paying due attention to the concerns and interests of the multiple stakeholders of the firm. In general, RBP means the responsibility of firms to own up for the impact of their business on all the stakeholders.

3.1 Criteria of RBP
How can one say whether an SME is engaged in RBP? What are the criteria to determine whether the activity by an SME falls under RBP? Different people have suggested different answers to these questions; accordingly, more than one set of criteria are available. Graafland et al. (2003), for example, mentioned certain RBP criteria, such as, codes of conduct, annual social report, ISO 9001, ISO 14001 certification, ethics committee, etc. Whereas, Jenkins (2006) surveyed 24 SMEs and concluded that the following should be the RBP criteria: Waste minimization, re-use and recycling, reduction in use of harmful chemicals, good work-life balance, support for suppliers, work with local schools, and sponsorship of local sports teams, employing people from the local community, implementation of ISO9001 Quality standard, ISO14001 certification. Perrini et al (2007) and Tencati et al. (2004) mentioned that engagement with various stakeholders is the criterion of RBP, in particular with the environment, employees, supply chain, clients, and local community. Perrini et al. (2007) further added that controlling the environmental adverse impact, and reporting and community volunteering are the salient criteria.

Gleaned from these, Moore et al. (2009) have developed a set of 16 criteria for analyzing and assessing the RBP in the SMEs. This set of 16 criteria was used as the benchmark in the original study by the present authors. Briefly, the four major areas that these criteria cover are:

1. Governance of RBP
2. Employees
3. Stakeholder relationships
4. External reporting and monitoring

Under each of these heads, there are sub-criteria. The engagement with environmental protection features as a sub-criterion, among others, under stakeholder relationships. These criteria indicate how responsible an SME is.

4. About the present report

The objective of the present paper is to investigate and report how the SMEs feel about their social responsibility, what, if anything at all, is being done with regard to environmental responsibility by the Indian SMEs, what they perceive as challenges and constraints on the path of practicing environmental responsibility. In what follows, section 5 describes the method used; section 6 presents the survey findings and section 7 reports the findings from the interviews with the owner-managers. Section 8 and 9 are respectively on data interpretation and conclusion.

5. Method:

As mentioned earlier, first set of data was collected during 2012 through a 31 item questionnaire developed. Of this, 10 questions were related to responsible environmental practices. Since SMEs are known to be generally operated by their founders and owners (Amaeshi 2015), who determine the ethical orientation and responsible practices in the SMEs, the survey questionnaires were administered to the owner-managers as the key respondents. The structured questionnaire was sent through both by e-mail and by post to 600 SMEs. After follow-up, a total of 200 completed questionnaires (33%) were returned. Out of the 200 SMEs, 100 were IT-SMEs and 100 Manufacturing SMEs. Further, semi-structured, personal interviews were conducted in 2013 with 45 SME owner-
managers from this group of 200 SMES (25 from IT SMEs, 20 from manufacturing of SMEs). The aim was to find out more on the issues from their perspective.

6. Findings from questionnaire survey:

6.1. Demographic Profile of the Respondents:

Among the IT-SMEs, 58 were small firms and 42 were medium sized firms. Among the manufacturing SMEs, 60 were small firms and 40 were medium size firms. As per the demographic details, the surveyed SMEs all had completed minimum 14 years of business, and therefore cannot be considered as new entrants in the field. The educational profile of all the respondents; i.e., the SME owner-managers, shows that only 2% among them were ordinary college graduates; an overwhelming majority (90%) of them had professional qualifications, such as a degree in engineering or in management, 8% of them had a post-graduate degree.

6.2. Familiarity with the concept, and meaning of CSR:

Given the long staying power of the SMEs in the field, and the high educational qualifications of the respondents, it seemed that the owner-managers, or the respondents, would exhibit greater awareness and proactiveness towards responsible business practices. However, the data showed a different picture. As shown in Figure 1, the responses of the owner-managers show that 50% of them, from both sectors, claimed that they do not know much about CSR, or about responsible business practices. 10% were forthright to indicate that they know what CSR is, but did not care to engage in it in the firm practices. Only 39% of the total respondents claimed that they are engaged in certain activities that they consider as responsible practices. Among these, the number of medium size firms was found to be greater than the small firms.

The respondents were then asked to specify what CSR meant for them by choosing one or more options from the given. The options are shown in Figure 2.
Figure 2 shows that 21% of manufacturing SME respondents preferred to remain silent on this question, whereas relatively fewer IT firms chose to remain silent. Though 50% of the respondents (Figure 1) had said that they do not have much idea about CSR, a large number of respondents from both sectors (62% from each sector) opined that integration of volunteering activities with main business activities as responsible business practice. Providing financial support seemed more popular option with the manufacturing SMEs. Minimization of environmental impact came out as an expression of responsibility by a minority group of respondents (22% from the IT firms and 37% manufacturing firms). Equal opportunity and safety in workplace was the least chosen option among the given.

6.3. Environmentally responsible practices

Environmental responsibility by a business covers management of business activities to reduce the environmental impact of the firms (Vives, 2005). Our survey tried to find out which environmental initiatives are adopted by the SMEs in their policies, products and processes, or are encouraged by them from the employees.

a. Energy conservation

The survey found that the majority of the firms (67% of the IT SMEs and 64% of the manufacturing SMEs) surveyed claimed to engage in basic energy conservation practices; such as turning off the lights, air conditioners, and the computer monitors during the non-working hours or during the breaks. This finding comes as a surprise in particular because, as shown in Figure 2, only a meager portion of the respondents opted for minimizing the environmental impact as part of their understanding of responsible practices. This apparent anomaly was pointed out during the personal interview with the respondents. Their perception of the practice and the interpretation of the authors are discussed in Section 8 below.

It was also found that though energy conservation is practiced as an office practice, only 19% of IT SMEs and 10% of manufacturing SMEs claimed to have a structured organizational policy about it; the rest of them seemed to be engaged in it more as an informal practice. This confirms the earlier findings (CREM 2004) that in Indian SMEs the responsible practices are often not institutionalized in the organizational structure.
We found that the business sector of the SMEs have a strong influence on energy conservation as a business practice. For instance, more IT SMEs, who are more computer dependent, were found to be engaged in electricity saving than the manufacturing SMEs. The size of the SMEs also seemed to affect the responsible practices. The medium sized firms of both the sectors tend to be more aware and active in energy conservation than their small firms.

b. New green products and services

Figure 3 shows the responses from firms on the idea of developing new, environmentally friendly products and services. Noticeably, SMEs from both sectors responded positively on this; however, the number of responses from manufacturing sector SMEs is higher than that of the IT SMEs. 65% of the manufacturing firms, in comparison to 60% of IT firms, claimed that they do consider the aspect of the environmental impact of their products. On the other hand, the number of firms, who stated that they are not considering the development of environmentally friendly products and services, is higher among the IT SMES than the manufacturing sector. This shows that the environmentally friendly practices are more evident among the surveyed manufacturing SMES than in the surveyed IT SMEs.

c. Other Environmental Practices

Recycling seemed to be a popular choice among the manufacturing SMEs, but not among the IT SMEs. While 70% of the manufacturing SMEs claimed that they practice recycling, *whenever possible;* 60% of IT SMEs admitted that either they do not engage in recycling at all, or that their organization does not have such a policy. In the personal interviews, some of the IT SME owners observed that they feel that recycling is only meant for the manufacturing sector, and that it is not applicable to the IT Sector.

Waste reduction and pollution control were found to be a widely adopted practice among the surveyed SMES: 89% of the manufacturing SMES and 84% of the IT firms claimed that their firms are already engaged in such activities. A minority fraction, 11% of manufacturing SMEs and 16% of IT SMES, claimed that they are barely breaking even; and that is why they can engage in environmental measures, such as pollution control, only when they make a profit.
6.4. ISO 14001 certification

ISO 14001 is one in the 14000 global series of environmental management standards (EMS), released by International Organization for Standardization (ISO). It provides guidelines and a framework for a company to improve its environmental performances. A company may implement the EMS and obtain ISO 14001 certification on their environmental performance. In fact, Government of India encourages the SMES to acquire ISO 14001 certificate by offering them the incentive of reimbursement of 75% of the cost incurred for this\(^2\).

When asked about the ISO 14001 certification, Figure 4 shows that only 26% of the IT SMEs claimed that their firms have acquired it. Once more, these were mostly the medium sized IT firms. About 30% of the IT SMES clearly stated that they have not adopted the international 14001 standards. This is the situation despite the incentive from the government.

What came out as a relatively greater surprise, however, was the response; rather, the lack of it, from the manufacturing sector. As may be seen in Figure 4, not a single surveyed manufacturing firm answered this question in the affirmative. None of them said that they have acquired the 14001 certificate. This strange result from the survey was further defended in the personal interview with manufacturing SME owners, where the respondents claimed that they do not have skilled personnel to implement the 14001 standards, and therefore have not tried to acquire the 14001 certificates. 19% of the manufacturing SMEs and close to 30% of IT SMES claimed that though they know that implementation of ISO14001 is important, they have not implemented it. In the interviews, they cited the paucity of time and of skilled staff as the perceived barriers.

![Figure 4](image)

7. Results from interview

In the personal interviews, the owner-managers who claimed that they are engaged in responsible practices, were asked about the details of what they are doing in terms of environmental activities. 60% of them were of the opinion that social responsibility is meant only for the large firms, because they have greater resources. They opined that being SMES, they are small, and have limited resources. They wanted to plead that though they do not have a

great impact on society, they are still trying to be responsible towards the society as far as possible with this limited resources. This shows that to these owner-managers, responsible practices of a business are seen as a resource-intensive activities, which only a large corporation can afford. They also perceive themselves as sufficiently engaged in RBP despite the resource constraints.

During the interviews, the perceptions of the SME owners about what they consider as socially responsible practices indicated that they viewed lending financial support to institutions and organizations in the local community, volunteerism, generating employment for the local community, donations to the local community and educational institutions, etc. as prime examples of CSR and RBP. Environment, its protection and conservation, did not feature in the listed examples.

This disconnect at the conceptual level between environmental duties and what constitutes the responsible business practices was reflected in their explanations for some of their practices also. In fact, what appeared to be expression of environmental awareness in them, such as switching the lights and equipment off when not in use, was explained in the interviews as a practice more out of a practical concern. In the personal interview, about 50% of the respondents claimed that they turn off the electricity when not required to save money on the electricity bills. So, what appeared from the survey at the outset as a conservation effort, was actually merely a practical, cost-saving concern. They did not see it, or practice it, as part of their environmentally responsible practices.

The interview results also showed that perceptions play a major role in adoption of practices. For example, the IT owner-managers stated that they do not engage in waste minimization and recycling, because they do not perceive them as their duties. But studies have established that the IT firms are the major contributors of e-waste (Mahesh 2007), an environmental offense that they seemed to be oblivious about. On the other hand, the manufacturing owner-managers stated that they regularly practice waste minimization and recycle process, but they do not view energy conservation as an essential requirement. For example, they said that switching off certain heavy machinery creates operational difficulty; so it is not possible always for them to conserve energy by switching off the idle machines.

Regarding ISO14001, all the twenty manufacturing owner-managers stated that they lack of sufficient funds that are needed for implementation of EMS. This shows that they do not consider spending for 14001 either as necessary nor as conducive for their business. This also shows that they view the expenses for 14001 as cutting into their profit. It is unfortunate that despite the incentive offer from Government of India, the Indian manufacturing SMES find the cost of EMS implementation as a perceived barrier.

Regarding cost-effective sustainability practices, the awareness level of owner–managers was found to be quite low (25%). In personal interviews, all the owner-managers confessed of practicing minimum environmental responsibility; with the sole incentive being fear of law, and the action from the State Pollution Control Boards.

However, there were some exceptions. Some 10% of the owner-managers claimed that their motive for environmental practices is not the fear of the law; rather, they find pollution control and waste minimization as their
environmental duties, and that is why they do it only to minimize their impact on the environment. Clearly, this was a minority.

A large number of SMEs claimed that they are interested in developing environmentally friendly products and services. However, the business motive came across as the main incentive for interest in developing environmentally friendly products and services. For, they cited customer satisfaction as the reason for their keen interest in such products and services; and some also cited that there is demand for such ‘green’ products from large corporations.

In the interviews, the paucity of resources, finance and time, were cited repeatedly as the main, unanimously agreed, constraints for adopting environmental practices. Besides these, lack of knowledge about environmental management, lack of skilled and expertise personnel were also mentioned as some of the perceived constraints for the environmental practices.

The reporting practices were found to be non-existent among the surveyed SMEs. This was confirmed even in 2016, at the time of submission of this article, that the SMEs till date do not have any social report, or environmental report, or a CSR disclosure. In the interview, 12% of the owner-managers of medium sized SMES claimed that they are engaged in environmental activities; but mentioned that they do not communicate their activities in the form of any disclosures, because there is no obvious necessity to communicate about these activities to the stakeholders. Some of them cited resource constraint as the reason for not bringing out any report on their environmental practices..

8. Data interpretation and analysis

The study results show that there are numerous reasons to be more vigilant about the responsible practices at the SME level in India. In general, the SME owners shared a perception that CSR is meant only for large firms, and that any socially responsible practice is resource intensive, and that it is not meant for them. The lack of knowledge about what CSR means, or what responsible business practices are, was sorely evident from the responses in the survey and in the interviews. This finding is consistent with previous studies (Arevalo and Aravind 2011) which claimed that lack of knowledge is a constraint in CSR practices and implementation. The findings also demonstrate little or no awareness about the related advantage of responsible business practices among the SME owner-managers. This is consistent with the observation of other scholars (Inyang 2013) who claimed that SMEs in general lack awareness about the strategic benefits of doing CSR.

The awareness level about CSR and the engagement in environmentally responsible practices is more among the medium sized Indian firms than among the small firms. It may be due to the relatively better position and security that the medium sized firms enjoy in business in comparison to the more vulnerable, smaller firms. Or, it could be simply due to the expertise available through greater employee size in the medium sized firms. In any case, our study shows that that all the discussion on the necessity of CSR or RBP has not yet percolated to the smallest levels among the Indian businesses. Perhaps, the mandatory CSR requirement by the law will help to communicate
the need better. The study also showed that the SMEs are woefully unaware about the strategic benefits from environmental practices.

There was also the curious fact that SME owner-managers view environmental responsibility as something extraneous to CSR or responsible business practices. To them, as per their admission, they only do the minimal merely to comply with the law and to stay out of trouble. There is no sense of any obligation to do so. There is also no future oriented vision to guide them towards sustainable business practices. Unnikrishnan et.al. (2016) in their study suggested that the owner-managers of SMEs need proper training on clean and safety technology conducive for sustainable development. Our study also confirms that.

This shows that there is an acute need for sensitization and training about environmental practices as part of CSR and RBP in the Indian SME sector. In our assessment of SMEs in relation to environmental responsibility and ISO14001 certification, the findings indicated that the engagement of the Indian SMEs with environment is haphazard, fragmented and is not at all satisfactory. For example, the manufacturing SMEs are engaged only in waste minimization and recycling but they consider the 14001 certification as an unnecessary expense. However, the effect is linked to the future of our planet as a whole. The IT firms generate e-wastes, which are a threat to the entire society and to the environment; but they do not bother about ISO 14001 certification. This low response for certification is consistent with the study of Singh et al. (2014) who found the uptake of the environmental management system is very poor in India.

Reporting and monitoring are major requirements for CSR and RBP. However, our study shows that reporting or disclosure practices are completely non-existent. So, there is no publicly accessible information about whether they are environmentally responsible, and what, if any, practices are adopted by them. This points also at the apathetic role that the stakeholders play in India. Had the consumers, for instance, been pressurizing the SMEs for disclosure, we could have seen some positive changes in their behavior. But, consumer activism in India is very low, and is mostly related to the pricing. The regulatory pressures in India also are not high and awareness programs are skewed (Chakraborti and Mitra 2005). These may be the reasons why the SMEs mostly exhibited a rather casual, unenthusiastic approach towards environmental practices, and can get away with it. It is hoped, as Gadenne et al (2009) has claimed, that the recent legislation about mandatory CSR reporting might get the message across more effectively in improving the environmental practices, provided the law is enforced properly.

On the whole, our study shows that the overall performance of the Indian SMEs on environmental issues is not at all satisfactory. The study also indicates that much of the problem lies with the mind set, or the perception and beliefs, of owner-managers. The environmental performance of the Indian SME cannot improve until the perceptions of the owner-managers are addressed properly.

9. Conclusion

The study was undertaken to gather more information about the lesser-known segment of Indian SMES. Our study shows that the concepts of CSR, or RBP, and the related concept of business ethics are yet to take root in the basic
level in Indian SMEs scenario. Sensitization and training regarding CSR, or RBP, and their link to environmental practices, are highly needed for the Indian SMEs, and specifically for the SME owner-managers. There is also need to disseminate information about the strategic benefits of RBP initiatives, and the technical know-how to implement these in an integrated manner in the businesses of the SMEs. Legal compliance was mostly seen by the owner-managers as the sole reason for being socially responsible. Lack of interest, and commitment among the SME owner-managers towards sustainable, environmental practices speaks volumes about the general response towards environmental degradation in India.

It is understood that the Indian SMEs work under many constraints and barriers, as was stated by owner-managers. However, that is the general characteristic of SMES all over the world. What is required is innovation to overcome these barriers. Proper guidance, and skill development training are also needed; and this is where the mentoring by the government, NGOs, or large firms can make a difference.

10. Limitation of the Study

The study, survey and interview rounds, were done during 2012-2013. The new Companies Act (2013), India, became effective from April 1, 2014. In case there has been any major changes in the practices of the SMEs surveyed, those changes have not been reported in this paper. The future work in this direction will be to conduct a study on whether the new legislation has been able to effect any change.

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