

**CSR Perceptions and Activities**  
**of Small and Medium Enterprises (SMEs)**  
**in seven geographical clusters**  
Survey Report



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- 1) Association for Stimulating Know-How (ASK) for Moradabad ESR Survey Report
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Detailed biography of all contributors is available in the Annexure 6.1.

The original language of the report is English, and the individual cluster reports (in their original language versions) are available on the UNIDO-CDP website: <http://weplayfair.com/>

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## **Abbreviations**

<b>BHEL</b>	Bharat Heavy Electricals Ltd.
<b>BHELSIA</b>	BHEL Small Scale and Medium Industries Association
<b>CDP</b>	Cluster Development Programme
<b>CSO</b>	Civil Society Organizations
<b>CSR</b>	Corporate Social Responsibility
<b>ESR</b>	Enterprise Social Responsibility
<b>GE</b>	General Electric Corporation
<b>ILO</b>	International Labour Organisation
<b>ISO</b>	International Organization for Standardization
<b>MSE</b>	Micro and Small Enterprises
<b>MSME</b>	Micro, Small and Medium Enterprises
<b>NGO</b>	Non Governmental Organisation
<b>SDC</b>	Swiss Development Cooperation
<b>SGFI</b>	Sports Goods Foundation of India
<b>SIAO</b>	Salon International de l'artisanat de Ouagadougou
<b>SME</b>	Small and Medium Enterprise
<b>UNIDO</b>	United National Industrial Development Organisation

## Executive Summary

Little is known about SMEs' perception of Enterprise Social Responsibility (ESR), and to date no research has been dedicated to investigating this issue. Generally, SMEs are associated with businesses that are conducted informally, and that therefore avoid paying taxes, exploit their own labour and provide intolerable working conditions, pollute the environment and apply production methods that jeopardize workers' health. However such preconceptions can make us blind to the SMEs' responsible behaviour and to their contributions to labour, community and the environment.

Concentrating on UNIDO supported clusters of enterprises within one industrial sector; we investigated the behaviour of SMEs with respect to their social responsibility. Our findings derive from surveys conducted in India, Ecuador and Senegal, and are summarised in this consolidated report.

Interviews of owners and managers of selected SMEs, representing a cross-section of the cluster, revealed the scope of the enterprises' internal and community based external socially responsible activities. More importantly, we obtained information on the types of activities and size of individual yearly contributions. Assuming that clusters facilitate collective action owing to the close proximity of the enterprises, we reviewed collective implementation of programmes, letting SMEs specify institutional preferences for any future intervention.

Across all seven clusters, the qualitative and quantitative data revealed that SMEs tend to behave similarly regardless of geographical zone. However, with respect to perceptions of what ESR is, entrepreneurs could not agree on a uniform **definition** of the term ESR. The majority viewed 'taking care of the labour' as an internal enterprise activity and saw external activities as 'involving community welfare'.

Not only the definition, but also the actions are marked predominantly by the same **preference**. In the case of internal ESR, activities directed towards labour welfare dominate, while being followed by those concerning health care, directed at environmental concerns and education. External ESR activities are marked by substantial charity donations, followed significantly behind by uniformly distributed contributions towards health, education and environment issues in the cluster.

The entrepreneur, regardless of firm size, is driven mainly by **personal values**, which determine the scope and scale of any intervention. From internal ESR, the entrepreneur expects mainly economic returns; therefore, actions focus on improving business performance or securing orders with international buyers. External charity driven ESR activities are dominated by the 'feel-good' factor, offering emotional returns. At the same time, entrepreneurs do not seek publicity for their benevolence; therefore, many of their actions remain unknown.

The position of SMEs in the **value chain shapes their activities** and their financial size. In some instances, markets and more so buyers put pressure on suppliers, which impacts internal ESR activities such as worker education or improvement of health and safety conditions. External pressure raises awareness and forces the implementation of improvements as prescribed by local law or code of conduct; even when combined with other interventions, these do not guarantee compliance. Regardless of market demands, some clusters developed their own ESR agenda respecting the outside pressure, and designed bottom-up solutions to persistent problems.

We observed that virtually all SME activities discussed in the interviews were sustained by **financial contributions**, and that the absolute monetary contribution towards ESR increased with the size of the enterprise. However, as a percentage of turnover, the contribution towards ESR was essentially pegged below 1% of turnover, and thus decreased with an increase in enterprise size. Enterprise position in the value chain also shaped spending and allowed medium sized enterprises, often represented by exporters, to diversify their spending across all categories.

The interviewed cluster SMEs pointed out **limited collective engagement**, and repeatedly stressed that ESR is predominantly an enterprise internal activity, and that when selecting partners for cooperation, religious organisations topped the list, largely due to the trust bestowed to their mission. Some collective ESR activities were initiated by the financially stronger enterprises; with their dominant position in the cluster, they were more competent in designing programmes and negotiating with local institutions.

The **prevalence of social institutions** facilitates the implementation of collective ESR activities. Partnering demands the definition of common objectives and the development of programmes that, once successfully implemented, may yield even the smallest of successes and contribute towards the **building of trust**. Trust is vital for the collective ESR; however, it does not guarantee effective implementation of agreed activities or directly translate into mutual benefits.

The survey findings indicate that an imposed ESR agenda provides a stimulus for change; however, home-grown activities that address the problems from the inside may in the long term guarantee **sustainability** of the interventions. SMEs unanimously responded that they will continue their ESR activities, despite any negative changes in their company performance. Essentially they will not abandon their ESR agenda, but will change scope, scale and form of its implementation.

**In conclusion**, for SMEs, the sustainability of their economic business performance is the foundation for their ESR engagement. Indisputably, compliance with local laws must be reinforced if any additional ESR actions are to be developed. Further growth, however, is also governed by the strength of linkages within the supply chain, so that SMEs can consciously engage in building the supplier environment rather than outsourcing their problems up the supply chain.

Approaching the issue from the development perspective, a shift from pressure to appropriation is required. Fostered by trust-building mechanisms, the current ad-hoc approach of implementing of ESR activities must be formalised and become an integrated part of strategic business planning. Consequently, building on small successes, SMEs can scale up their engagement slowly, gaining confidence while learning about the multiple impacts of their ESR actions.

SMEs acting alone will bring upon a limited impact on the ESR agenda of the cluster, and therefore multi-stakeholder or public-private partnerships are instrumental in the development of comprehensive programmes. In addition, partnering along the supply chain or with international buyers may bring the twofold benefit of improving business performance and increasing emotional returns through increased social engagement for both parties.

# 1 Introduction

Small and medium enterprises (SMEs) play an indispensable role in triggering economic growth and equitable development, particularly in developing countries. Their business activity is generally performed closer to the stakeholders, allowing them to be the firsthand recipients of expressed needs. Therefore by sheer proximity, SMEs are continuously confronted to participate actively in the development of their environment and act ethically. In the light of this argument, UNIDO entered into a thematic cooperation with Swiss Development Cooperation (SDC) in May 2005, for a project on SME cluster development and corporate social responsibility (CSR). The main aim of the project was to explore whether and how UNIDO's approach could be used to positively trigger the CSR related activities in the SME clusters<sup>1</sup>?

While clustering of SMEs is a prevalent phenomenon, their economic expansion has to be prompted at best through co-operative actions. Since 1993, UNIDO has pioneered an approach to support SME clusters. The emphasis of UNIDO's cluster approach is to provide assistance to facilitate cooperative action so that networks and clusters of SMEs can expand through building synergies to better overcome encountered limitations. The program has been drawing lessons from the experience of successful clusters in both developed and developing countries, which have been adapted to local conditions in countries such as Egypt, India, Nicaragua, Honduras, Jamaica, Morocco, Nigeria, Ethiopia, Ecuador, Pakistan, Senegal, Thailand, Tunisia and Zimbabwe.

The present project is based on the assumption that the expertise gathered by UNIDO over the last ten years in the field of cluster development may facilitate in fostering socially responsible clusters. The project is intended to be an action-research model. It was expected that the in-field learning from the project will be heavily impacted by the local environment esp. the social and cultural context of the selected cluster and therefore, it was decided that the choice of clusters would be derived from at least three different international cultural contexts. The clusters were finally picked from India, Ecuador and Senegal.

The **outputs expected** of this project are:

- Deeper understanding of the role of cluster-based approaches to ensure SME integration in global value chains;
- A revised methodology for cluster brokers based on the pilot support initiatives implemented in selected clusters/countries;
- Identification and dissemination of best practices;
- Recommendations on how to integrate the needs and priorities of SMEs from developing countries in the ongoing definition of socially acceptable business practices;

The first year of the project was limited to implementation in only one SME cluster i.e. the sports goods cluster in Jalandhar (Punjab, India) and to desk research on possible drivers of CSR for SMEs. The initial stages of implementation brought forth its own set of challenges and made the project team realize that it was critical to first assess the gaps that lie in the basic understanding and expectation around the term CSR, with respect to how it is perceived at the level of international development agencies and buyer groups vis-à-vis the SMEs down the supply chain. This learning made it necessary to undertake an intensive survey of SME entrepreneurs in some select clusters, especially in the ones where the projects were still ongoing i.e. in Ecuador & Senegal.

## 1.1 Objectives

As detailed above, this survey on CSR perceptions and activities of small and medium enterprises (SMEs) arose out of the felt need and expected outputs of the larger project. The objective of the survey was to gather an extensive understanding on the following questions:

- What do SMEs perceive of the term CSR?

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<sup>1</sup> The term 'cluster' refers to geographical agglomerations of small enterprise operating in the same or in highly complementary industries.

- What drives the SMEs to engage in CSR activities?
- What benefits do they hope to draw from CSR engagement?
- What are the various types and scale of CSR activities that SMEs involve in, both individually as well as collectively?
- What are the main factors that determine the type and scale of their CSR involvement?
- What impact does being in a clustered environment make in defining CSR priorities and practices?

Before instigating the survey, the project had developed a conceptual paper on 'Dynamics of Social Responsibility in Small and Medium Enterprises (SMEs) & SME Clusters'<sup>2</sup>. This paper pointed to a desk researched inference of three main drivers that lead SMEs to be involved in CSR activities. It concluded that SMEs interest in CSR can be reduced to three main reasons; stakeholder pressure (buyers, NGOs, Government); developing business case to achieve efficiencies and profitability; and personal/cultural values to contribute towards the effective use of resources for local community welfare. Although the paper included various studies and examples that supported the above inference for individual SMEs but it lacked the factual reference from clusters. Thus it became critical to test these in the light of a primary survey, especially within the context of cluster SMEs.

Another work of research that became instrumental in coloring the project's views was on the premise that SME clusters could derive a competitive edge through their involvement in responsible business practices. The paper by AccountAbility<sup>3</sup>, U.K, enlisted the typology of SME responses that tend to have towards ESR namely; 'evasion', 'silent CSR', 'compliance to standards' and 'market access through CSR'. The research highlighted a number of examples to prove that cluster SMEs can indeed turn compliance challenges into market opportunities by working collaboratively. Again, these perspectives were taken into account by the survey in order to test whether the cluster SMEs actually realize the potential of this approach.

## 1.2 Methodology

The survey used a set of hypothesis and structured questionnaire for interaction with SME owners. These tools were developed after a series of consultation in UNIDO Cluster Development Programme office in Delhi (India), with a group of experts<sup>4</sup> from various organizations specializing in research and implementation in the fields of SMEs and/or CSR. To gain a broader understanding of how SMEs and ESR relate in other countries and cultures, the questionnaire that was originally designed in English, was later on translated into Spanish and French as well.

The **selection of clusters** focused mainly on the regional and sector-based diversity, factoring in wide range of diverse characteristics in terms of nature of product/markets, scale of production, artisan/industrial base, vertically/horizontally integrated, cultural base and of course the geographical location.

Considering the above, five clusters were selected from India for the purpose of this survey. These were; brassware cluster in Moradabad (Uttar Pradesh), knitwear cluster in Ludhiana (Punjab), rice milling cluster in Kalady (Kerala), engineering fabrication cluster in Tiruchirapally (Tamil Nadu) and sports goods in Jalandhar (Punjab, India) In addition clusters representing the international perspective were the garment cluster in Atuntaqui (Ecuador); the handicrafts cluster in Senegal.

After a short sample survey carried out by UNIDO experts to test out the questionnaire, it was recommended that the contract for the actual survey, pertaining to data collection, interviews and individual cluster analysis should be awarded to the **consultants**, who have a good amount of experience and understanding with the local industry. This would ensure that the interviews benefit from the existing mutual trust with SME owners and thus elicit more truthful and actionable insight into the expectations of entrepreneurs' vis-à-vis CSR.

<sup>2</sup> Download reference: <http://weplayfair.com/information.php?page=37> - Dynamics of Social Responsibility in Small and Medium Enterprises (SMEs) & SME Clusters

<sup>3</sup> Download reference: <http://weplayfair.com/information.php?page=37>

<sup>4</sup> Names of people & organizations in the consultative group to be given in annexure

There were also interview guidelines drawn that gave clear **definitions** to certain terms that are commonly used in the parlance of ethical business management. Since many of these terms are used and abused in variety of situations, it was important to define them so that within the context of this exercise, everyone refers to the agreed set of meaning. These terms are provided below:

- **Corporate Social Responsibility (CSR)** refers to a concept prevalent in today's business practices, where companies commit to be sensitive to all stakeholder demands in the scope of its business operations, beyond what is being regulated and expected by the community or beyond the industry norm.
- **Enterprise Social Responsibility (ESR)**: Corporations are not the only addressed entities to perform business activities ethically; SMEs are also called today to contribute their share. As in the scope of this survey, we concentrated on SME activities; therefore it was decided to adapt the term to make it more relevant for the smaller firms.
- **Silent CSR/ESR** refers to activities conducted by enterprises for the benefit of the enterprise and the local community, without seeking any directly relatable financial/business benefit for their action. The business does not advertise its actions to gain any recognition, thus keeps its good governance and charitable actions silent. Often such businesses consider actions such as these, as common business practices and may not be even aware that financial benefit could be drawn from them.
- **Philanthropy** refers to activities conducted by enterprises that are outside their line of business, for the benefit of the society at large, and their actions are intrinsically outward looking. However enterprise labour/employees issues may be included in the scope of their activities, since philanthropic behaviour is an inextricable component of responsible behaviour, it is indeed an investment in gaining social goodwill.

#### **Which activities were considered as CSR?**

Socially responsible activities of enterprise can take on different forms and be directed to numerous beneficiaries. In the international perspective, there seems to be no one answer-fits-all solution, and therefore it was decided that this relevance has to be primarily considered in the national context, before any generalisations on the international perspective were made.

However, we agreed that ESR/CSR would be both inward as well as outward looking. Primarily we distinguished between **actions conducted within the enterprise (internal ESR) and outside the enterprise (external ESR)**. Guiding list of prospective activities was put together based on our experience from the global business world and from various development projects. It was expected that obtained results will help elaborate typologies of entrepreneurial behaviour and special emphasis shall be placed in identifying "silent CSR" practices. During the survey, we also sought to identify best practices, where SMEs act in a socially responsible manner, beyond what is being regulated and expected by the community or beyond the norm of the sector.

### **1.3 Survey Approach and Proceedings**

The interview process in some clusters began with a sensitization workshop of the SME entrepreneurs, allowing for a comprehensive understanding of the survey objectives and exposing them to the terminology and significance of ESR issues. The survey was initiated in different clusters at different points in time between December 2006 and June 2007; however, it took an average 45 working days time span per cluster for the entire process of data collection, analysis and report writing to be completed.

The **questionnaire**<sup>5</sup> was developed to obtain maximum amount of quantitative as well as qualitative information on ESR activity. Questions focused not only on the enterprises' exclusive activity, but also on joint efforts between enterprises within the cluster. Following were the six main sections that were covered:

- Basic Company information
- ESR baseline (perceptions about ESR)

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<sup>5</sup> Refer Annexure 6.4

- Individual Internal ESR activities
- Individual External ESR activities
- ESR motivators/drivers
- Collective ESR activities

Limited by resource and time, the average **sample size** of interview respondents from each cluster ranged from 25-35 enterprises. This sample was selected in a way that there was a fair representation of all the different levels of SMEs operating in that cluster. We are aware that due to the small size of the sample, the margin of error would be high but at same time it should be kept in consideration that being in a cluster setting, the firms display many homogenous characteristics in their businesses as well as socio-cultural backgrounds, thus making many generalizations feasible.

Besides, where felt necessary, focus group discussions and interviews were also conducted with workers, social institutions and/or local authorities within the cluster, to have latter's views and recommendations on the ESR status among the cluster firms. This was done both as a means of verification as well as to develop case studies of instances, where external agencies/institutions were found to be instrumental in supporting and delivering ESR services and activities to the cluster firms. And in just a few clusters sensitisation workshops were conducted to inform and explain the general CSR issues, with the aim to minimise potential misinterpretations.

The interview procedure was left up to the consultants' discretion i.e. either he/she assists the entrepreneur in filling-in of the questionnaire or engages in a conversation with the latter, while filling in the answers. Special emphasis was placed on the fact that the interview should not sound like an audit, and is instead a constructive dialog. During the process of interview, he/she was expected to remain as neutral and as helpful as possible, creating an optimal environment to arrive at transparent results. In addition the interviewer included his/her personal comments in the report, which added an important component of verification.

#### 1.4 Limitations

The main limitation lies in the surveyed sampling size, which includes a representative cross-section of enterprises in the cluster. However for the purpose of the cluster to cluster comparison we were challenged to establish a common denominator for all cases. This was mainly evident with enterprise size and their volume of turnover or investments. As a result we have used enterprise's positions in the value chain, as a transversal baseline that enabled us the comparison between clusters.

The survey remains to be a snapshot in time of ESR activities. Conducted only once we are unable to reference the past occurrence or their impact. However, certain questions demanded entrepreneur to reflect on the "what if" scenario, especially when asking if business performance would have an impact on ESR present and future spending. Despite their limited input, the provided information gave us insight into the sustainability of their ESR agenda.

The survey despite all the precautions taken before and during the interviews did not alleviate all the possible misinterpretations. Mostly evident was the interchangeable use of external ESR conducted by individual enterprises and collective ESR, which defines joint actions implemented with local partners and not limited to external or internal actions. The possible misunderstanding of the term brought about lack of clarity with respect to which ESR activities were implemented individually and which collectively. Only through case studies, the preference and impact of collective ESR was verified, yet thus far their financial contributions remained unclear.

Our selection and interviews were careful designed, and interviewers were carefully briefed, however we cannot negate that the obtained information carries some portion of personal bias from various contributors. For example from the side of the entrepreneur, who believe to conduct business as ethically as possible, the interpreter who wants to report on the positive rather than highlight the negative. Similarly also from the authors of the consolidated report, who shy away from overemphasis on what was not done, or what should have been done.

## 2 Clusters' Profiles

As illustrated above, the seven clusters that were selected for the survey, came from India, Ecuador and Senegal. A brief introduction on the socio-economic profiles of these clusters and of the consultants, who carried out the survey, is provided in the following pages.

### 2.1 Brassware Cluster in Moradabad (Uttar Pradesh, India)

#### ***Historical perspective:***

The town of Moradabad lies in the state of Uttar Pradesh and is located about 200km southeast of Delhi, India. It is a popular industrial town, known for its brassware manufacturing. The district has been famous for production and supply of metal artefacts since the eighteenth century. The genesis of brassware making in Moradabad can be traced to Mughal (Muslim) craftsmen who brought with them the know-how of the traditional art from Delhi to Moradabad some 400 years ago. The cluster manufactures a large variety of items that are mostly utility-based and decorative artefacts.

#### ***Present scenario:***

Till about thirty years ago, self-employed artisans in Moradabad made brassware for a largely domestic market but with the advent of export sales, the industry now caters to retailers all over the world". In 2001, the export of different types of metal artefacts from Moradabad was close to Rs.4000 Crore (USD 1 billion<sup>6</sup>), whereas according to 2006 figures, the export has dropped to Rs.3000 Crore (USD 750 million). Artisans and small household brassware units have a major contribution in the inflow of this foreign exchange. Approximately 25,000<sup>7</sup> such units of the formal and informal sector are engaged in this industry.

Presently, along with brass, other artefacts made from materials such as iron, aluminium, glass, wood, bone and horn are also being manufactured and exported in large quantities. The steep rise in the price of brass in the international market has led to drastic decrease in the demand for the metal, resulting in the manufacturers turning towards other metals that have a better demand and yield greater profits. Another reason for preference of other metals over brass is the 'weight' factor. Both buyers and consumers prefer a lighter metal, which gives convenience in handling and also results in more profits as the freight charges and subsequent taxes are lesser.

#### ***Nature of Work:***

Factories represent the formal sector of the brass industry, while the household units form the bulk of the unorganized or informal sector. There are about 500 exporters, that are largely involved in final checking, packing shipments and placing manufacturing orders with sub-contractors, who in turn distribute it among the household units. Almost 80-90% of the production is outsourced either to sub-contractors or small manufacturers called 'karkhandars'.

There are around 2200 'karkhandars' in the cluster and 1600 small sub-contractors. The latter only outsource jobs to household units, who are mainly involved in the 'casting' process. There are around 20,000 such household units in the cluster. Other than this, there's another set of 5500, again home-based units, who provide ancillary works like polishing, scrapping, welding, grinding and engraving. In terms of employment, the number of workers that usually a 'karkhandar' employs ranges from 5-20. On the other hand, the household units have around 2-4 workers that are either belong to one family or are hired from the same neighbourhood, placing total employment in the industry to be around 60,000. Most of these are artisans that live on a daily wage of less than Rs100, significantly lower than the factory employed, thus creating big income disparity within the supply chain. A major point to be noted here is that there is only 2 to 4% women labour in the cluster. These too are mainly found in activities that are carried out from home e.g. engraving.

The industry is largely informal in its relationships between different levels of production, starting from exporters to down the supply chain. As a result, it is practically impossible to track down the exact supply chain of a particular buyer once & for all, since the sub-contracting arrangement

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<sup>6</sup> Throughout the report the exchange rate of US \$1 (USD) equals to 40 Indian Rupee (INR)

<sup>7</sup> Ministry of Human Resource Development, Government. of India, 2001

could be done with different individuals and households at different times. There is no legal binding to carry out business with the same supply chain each time there's an order to be supplied. This has led to an almost no-control situation that has bred hazardous working conditions as well as rampant child-labour in the industry.

**Study sample:**

In total there were about 32 individual interviews and 3 focused group discussions (FGD) held in the cluster. There were 10 exporting firms, 16 sub-contractors and small manufacturers (karkhandars) and 6 household-unit owners, who were interviewed by the consultants. As for the group discussions, there was one held with 5 workers of exporting firms, one with 6 workers of small manufacturing units and two with 11 workers of household units. The following table provides a snapshot of the sample.

**Table 1A: Overview of the sample from Moradabad**

Level	Annual Turnover (Income in case of Household units i.e. HHU)	Total No. Units	Work force Engaged	Sample Size
Exporter	More than Rs 50 Crore (USD 12.5 million)	5	1000	2
	Rs 10 to 50 Crore (USD 2.5 to 12.5 million)	50	5000	3
	Rs1 to 10 Crore (USD 250,000 - 2.5 million)	250	12500	5
Manufacturer	Within 1 to 5 Lakhs (USD 2,500 to 12,500)	1500	30000	8
	Within 5 to 10 Lakhs (USD 12,500 to 25,000)	2000	20000	5
	Within 10 to 20 Lakhs (USD 25,000 to 50,000)	3000	12000	3
Household based Unit owner (Annual income ranges from Rs.6000-9000)	Casting	10000	20000	4
	Grinding & Scraping	1500	-	2
	Engraving	5000	-	2 and FGD
	Polishing	5000	10000	FGD
<b>Total Sample</b>				<b>35</b>

**Table 1B: Category and size for FGDs with workers from Moradabad**

Category of worker	Number of FGDs	No. of participants per FGD
Workers at Export house	1	5
Manufacturer	1	6
Household based Unit owner	2	11
<b>Total Number of FGD's</b>	<b>4</b>	<b>22</b>

Other than the above, interviews were also conducted with representatives of the cluster industry associations, local public support institutions such as the Pollution Control Board, Deputy Labour Commissioner, Government Education and Health Departments, District Industry Centre, Moradabad Handicraft Centre & Banks, and also with some projects that are being run by non-profit organizations.

## 2.2 Engineering fabrication cluster in Tiruchirapally (Tamil Nadu, India)

### ***Historical perspective:***

The Tiruchirappalli town or Trichy, as it is popularly called, lies in the state of Tamil Nadu and is located about 320 km south of Chennai. It is famous for its temples, for its educational institutions and for heavy industries like ordinance factories, cement manufacturing units, railway workshops and engineering fabrication units. Trichy as a 'fabrication cluster' came into existence with the start of the Bharat Heavy Electricals Ltd. (BHEL)'s boiler plant in 1965. BHEL is a public sector enterprise and is today the largest engineering and manufacturing enterprise in India. BHEL consciously encouraged its own employees and engineers to set up fabrication units and supported them by unloading low tech fabrication of structural and boiler parts to these units.

Sensing an opportunity to create entrepreneurial and employment avenues in the district, which was otherwise an agrarian economy, the Tamil Nadu State Industries Development Corporation (SIDCO) promoted industrial estates in Trichy, with the required infrastructure facilities. The rapid growth and expansion of BHEL paved way for the fast growth of SME units in the cluster i.e. from 26 to more than 300 in a matter of just two decades.

### ***Present scenario:***

In last five years, with the introduction of new products like windmills, rice husk boilers and with the increase in the Governments' outlay in the power sector, the cluster has grown almost four times in its gross turnover. The total turnover of the cluster (other than BHEL, which alone was around Rs. 4,500 Crore (USD 1.125 billion in 2006-07), is about Rs.2000 Crore (USD 500 million), out of which about 20 medium scale firms contribute Rs.1500 Crore (USD 375 million) and the balance 500 Crore (USD 125 million) is contributed by 400 small enterprises.

The total manpower involved in this cluster is about 20,000 workers (almost nil women labour). About 20% of this workforce is directly employed by the firms and the rest 80% is through manpower contractors numbering around 800. Most of the cluster firms are doubling their turnover every year since the last 4-5 years. Till about 4 years back, this cluster was purely vertically integrated with BHEL being more or less the sole buyer. However, recently new buyers like GE, Suzlon, Vesta, Caterpillar etc have also started sourcing from the cluster. Even today, BHELs' off-take is around 70% of the total production in the cluster.

### ***Nature of Work:***

In terms of activity profile, fabrication is the dominant group. There are about 250 fabricators in the cluster. Machine shops numbering around 75 are the next important category of units. Though there are units doing both fabrication and machining yet these are very few in numbers. The third category of units, consist of small or tiny units numbering less than 75. These units are engaged in any one of the following activities: shot blasting, galvanising, bending, drilling etc. Some of them are also involved in the manufacture of consumables like electrodes, grinding wheels, paints etc. The main products under fabrication are power equipments like boilers, heat exchangers, pressure vessels, wind mills and structures etc.

Even after this explosive growth in the industry, the latter still faces serious challenges in terms of poor roads and power infrastructure in the estates, and unsafe working conditions inside factories. Processes like material handling, welding and gas cutting operations lead to many accidents. Besides, the labour turnover in the cluster is quite high and there is a serious shortage of skilled labour force. The main reason cited for this is that the prevailing wage rate in the industry is not attractive enough to new workers and most of the skilled labour prefers to take to greener pastures abroad, especially Middle Eastern countries that pay good salaries for welding/construction related works.

### **Study sample:**

For the purpose of this survey, the sample units to be interviewed were divided into three categories on basis of their turnover. They are:

**Table 2: Overview of the sample from Trichy**

Sl. No.	Description	Annual Turnover (in Rs million <sup>8</sup> )	Total No. of Units	Sample No. of Units
1	Medium Units	50 or higher	20	4
2	Small Scale Units	5 – 50	250	21
3	Micro Units	Less than 5	75	5
<b>Total Sample</b>				<b>30</b>

Other than the above, the survey team also interacted with representatives from; BHEL, major networks in the cluster esp. BHELSSIA<sup>9</sup>, financial institutions, medical service providers, technical institutions, resource institutions and local Government regulatory departments.

## **2.3 Rice milling cluster in Kalady (Kerala, India)**

### **Historical perspective:**

Kalady is located in District Ernakulam (Cochin), Kerala. It is a popular holy town, a birth place of Adi Sankaracharya, the philosopher, who led the revival of Hinduism in the 8th century. Rice milling industry, in and around Kalady took shape in late 1960s, as the famine of 1965 made India alert towards the need for self sufficiency in agriculture, more so in food grains like rice and wheat.

In the past, the conversion of paddy to rice was a household job, a taxing proposition predominantly for women. Though, some enterprising members of the minority communities began converting the paddy to rice in their backyards for sale to individual customers. And the agrarian law framed in 1967 made minority communities, owners of the land that they were tilling. Shortly thereafter, a number of families from the minorities (mostly Christian community) came to rice milling that sowed the seeds of modern rice milling in and around Kalady.

### **Present scenario:**

There are 120 modern rice mills in Kerala as per the records and out of them 72 registered modern rice mills are in Kalady. All of these mills produce 'parboiled rice', with total rice milling capacity in the cluster currently exceeding more than 4000 tons per day, producing about 2,800 tons of rice, 200 tons of rice bran and 1600 tons of paddy husk.

Due to a fall in agricultural produce, the cluster is facing shortage of raw material i.e. paddy and are unable to fulfil the demand for rice. They procure paddy from other states, which increases the cost of production and affect the margins as due to Government stipulations, the mills have a ceiling on the selling price of rice. Besides, the cluster firms operate on out-dated technology that is neither environment friendly nor efficient. This also leads to inadequate utilization of by-products.

### **Nature of Work:**

In total, there are about 25000 people employed in the cluster. However, the registered figures would show only one fifth of this total as most of the labour is on indirect contract basis. Due to the rough nature of work, there is almost nil women labour involved. More than 50% of this labour comes from outside Kalady. These workers are usually unskilled or semi skilled and are prepared to work on compromising working conditions and wages.

Barring a few, most mills have poor safety & hygiene standards. There are widespread respiratory problems among people working in these mills, as there is no practice of using safety gadgets, gloves, face mask etc. Besides, one of the biggest problem-makers for the cluster have been the

<sup>8</sup> Rs 1 million = USD 25,000 (1 USD = 40 INR)

<sup>9</sup> BHEL Small Scale Industry Association

“corrupt political parties and regulatory officials that are always demanding bribes in return of evading laws of all kinds”.

However, even in the face of all these adversities, the cluster units have set an example of working collectively in a business consortium with an objective to assist factories, establish and manage production centres, research and development centres and common effluent treatment plants for the benefit of the cluster units.

**Study sample:**

A sample survey of 30, equivalent to 42% of the total modern rice mills in the cluster has been taken for the study, giving proportional weight to each stratum.

**Table 3: Overview of the sample from Kalady**

Category	Turnover Range (in Rupees)	Number of firms interviewed
A	0.80 to 5 Crore (USD 200,000 – 1.25 million)	16
B	6 Crore to 10 Crore (USD 1.5 to 2.5 million)	10
C	11 Crore to 15 Crore (USD 2.75 to 3.75 million)	3
D	More than Rs 100 Crore (USD 25 million)	1
<b>TOTAL</b>		<b>30</b>

In addition to this, interviews and discussions with workers, traders associated with modern rice mill units and some prominent social institutions in the area, were also carried out to analyze the various hypotheses.

**2.4 Knitwear cluster in Ludhiana (Punjab, India)**

**Historical perspective:**

The city was founded in the time of Lodhi dynasty, which ruled in Delhi from 1451-1526 A.D. During the reign of Maharaja Ranjit Singh, Ludhiana became an important British cantonment. At the time of India’s independence i.e. in 1947, there were hardly any industries, worth naming in the city. The refugees, who came from West Pakistan after partition and settled at Ludhiana were very enterprising and they immediately took up the industrial ventures for their livelihood. This was the start of the industrial development of the city.

Ludhiana has since then, witnessed enormous industrial growth. A large number of units and enormous investments have come up in industrial ventures, both in small scale as well as in heavy & medium scale industry. A variety of products such as bicycles, automobile parts and accessories, hosiery and knitwear goods, industrial fasteners, machine tool components, rubber goods, sewing machines and its components, steel and alloys, electronic goods etc. are being produced in the city. The town is today the hub of industrial activity in the state of Punjab and many well known business houses are located here.

**Present scenario:**

As per the data on 31 March 2006, out of a total of 43,321 industrial units in Ludhiana, around 8,600 units are engaged in manufacturing of textiles and garments, employing around 79,421 people. This sector has a total turnover of around Rs.291,155 Crore (USD 72 billion) and the share of domestic sale and exports is more or less 70:30. However, the share of woollen knitwear exports in the total cluster exports is only around 25%, though it commands over 95% share in the domestic woollens market.

The Ludhiana knitwear cluster produces a wide range of products for winter wear like sweaters, woollen socks, pullovers, cardigans, thermal wear, gloves, muffler, berets, caps, shawls, jackets, jersey and blankets, and for summer wear, items like T-shirts, cotton and blended socks, under garments, knitted bed sheet, skirts, tops, sports wear, night suits etc. The cluster has a fully operational network of support institutions and industry associations.

Most of the cluster firms are unorganized and 'owner managed'. The owner performs all basic functions of marketing, procurement and finance and as such, they do not want to appoint professionals or believe in training. External training programs are rarely subscribed as these are considered expensive and a waste of productive man-hours. Increased pressure of quality demand and firm delivery dates by export markets have induced some Ludhiana manufacturers to set up composite units, as a mechanism to reduce market fluctuation risk.

**Nature of Work:**

The exporter category in Ludhiana constitutes of exporting manufacturers, employing anywhere between fifty to five hundred people. The export factories are mainly involved in knitting, fabric cutting, lot making, final stitching, final checking and packing of garments. Most of the other allied activities like dyeing, cutting and embellishment etc are carried out by contract-workers who mostly sit within the factory premises and are hired through sub-contractors. Most of the workers are migrants from nearby states of Uttar Pradesh, Bihar and also from Nepal.

Depending on the order size and in-house capacity, the exporters tend to subcontract part/full work to subcontractors that are called 'thekedars'. Most of the factories take services of these middlemen and usually have no direct interaction with workers.

Rising price of yarn and cost of other inputs, without a proportional increase in margins is a major issue facing the industry. This is significantly affecting the small unit owners, who are barely able to make their ends meet. Besides, there are other issues like harmful work environment and even child labour that are very prominent in the subcontracted activities.

Another important area of required improvement in the cluster is vendor and logistics management. With the rising prospects of a greater number of international brands stepping into the cluster to benefit from the growing size of the lucrative Indian market, the supply chain efficiencies of the Ludhiana SMEs are set to become the key differentiator of profitability.

**Study sample:**

The sample for this study was picked up from three major categories of firms operating in Ludhiana and a total of 36 firm-level interviews were conducted besides discussions with workers from each of these firms.

**Table 4A: Distribution of workers' interviews from Ludhiana**

Level of Worker	Number of workers interviewed each unit	Total number of units	Total number of units selected	Total number of interviews conducted
Workers at every medium exporters	2	Medium Exports - 1200 (app)	15	30
Workers at every Small exporters/Manufacturers	2	Small exporters / Manufacturers -3000 (app)	12	24
Workers at every Fabricators / subcontractor.	2	Fabricators/ subcontractors - 4421(app)	9	18
<b>TOTAL Sample</b>			<b>36</b>	<b>72</b>

**Table 4B: Overview of the sample from Ludhiana**

Level	Turnover	Total number of units	Sample Size	
<b>Medium Exporter</b>	10-15 Crore (USD 2.5–3.75 million)	350 ( app)	4	<b>15</b>
	15.1-25 Crore (USD 3.75 – 6.25 million)	300 ( app)	4	
	25.1- 35 Crore (USD 6.25 – 8.75 million)	300( ( app)	4	
	>35 Crore (USD 8.75 million)	250 ( app)	3	
<b>Small exporters / Manufacturer</b>	2-5 Crore (USD 0.5 – 1.25 million)	1400	4	<b>12</b>
	more than 5 -8 Crore (USD 1.25 – 2 million)	900	4	
	more than 8 -10 Crore (USD 2 – 2.5 million)	700	4	
<b>Subcontractors / Fabricators</b>	Within 10 to 50 Lakhs (USD 25000 – 125,000)	2600 ( app)	5	<b>9</b>
	Within 51 to 1 Crore (USD 125,000 – 250, 000)	1821 ( app)	4	
<b>TOTAL Sample</b>			<b>36</b>	

## 2.5 Sport goods cluster in Jalandhar (Punjab, India)

### ***Historical perspective:***

The origin of the Jalandhar sports goods cluster can be traced back to Sialkot (Pakistan) a major sports goods production centre during pre India-Pak partition days. It is a unique example of a transplanted cluster, where a major segment, entrepreneurs as well as workers of an existing cluster shifted to a new location due to the political division of the country

Jalandhar is an important city in the state of Punjab (India), strategically located between the two important industrial cities of Ludhiana and Amritsar. The new migrants began their trade from local neighbourhoods and subsequently, those entrepreneurs, who could invest in setting up bigger units with some mechanized production systems, shifted to nearby industrial areas. However, most of the smaller units kept their offices and production facilities in the original location.

### ***Present scenario:***

This sports goods cluster with over 120 years of existence, has crafted a place for itself in the global sporting goods market. It has emerged as a reliable supplier of sports goods to the international markets, catering to some of the top brands. With about 115 exporting enterprises, the cluster significantly contributes to the sports goods exports from India. In the year 2000-2001 the exports measured USD 54 million, which increased to USD 65 million in 2001-02 and to USD 102 million in 2003-04. (The figure excludes sports shoes, sports apparel and fitness equipment). There are another 400 odd enterprises that cater to merchant exports as well as the domestic Indian market.

Significant number of industry networks and support institutions exist in the cluster. The main ones being: Sports Goods Export Promotion Council (SGEPC), Sports Goods Manufacturers and Exporters Association (SGMEA), Sports goods Foundation of India (SGFI), Sports Forum (SF), Association of Sporting Goods Industries (AISGI), INTUC & CITU (Workers Unions), National Institute of Technology (NIT), Punjab Technical University having Degree collages, Polytechnics and it is, Central Leather Research Institute (CLRI), Central Institute of Hand Tools (CIHT) and Polymers & Rubber material Testing Lab.

UNIDO has worked with the Jalandhar Sports Goods Cluster between the years 2002 and 2005 under its Cluster Development Programme and since May 2005 under in its new global research project of 'Cluster Development Programme and Corporate Social Responsibility (CSR)'

**Nature of Work:**

The industry can be described as a traditional skill based one, as it is highly labour intensive and requires very specific skills and manual techniques, whether it is in the stitching of footballs or in crafting of a cricket bat. A large number of home based manufacturers are also involved in the value chain.

Most of the enterprises in the cluster are small and cottage scale. The exact number of firms in the Jalandhar sports goods cluster is difficult to enumerate, as is the case with of most of these traditional clusters. But the estimate is of over 1000 firms employing around 54,000 workers directly or indirectly. The main products of the cluster are inflatable balls, cricket, hockey, protective equipments, boxing, tennis, badminton, chess, field and track equipment, golf balls, hammocks etc.

The cluster caters to the demands of the global as well as regional and local markets and provides employment to the vulnerable members of the society including a large number of women workers.

**Study sample:**

For the purpose if this study, the interview sample was divided into small, medium and micro units. The total sample size of the cluster was 33 out of which 11 were medium scale, 10 were small-scale and 12 were micro units respectively. The following table provides the details of this distribution:

**Table 5A: Overview of the interview sample from Jalandhar**

Level	Turnover per Annum	Total No. Units (Approx.)	Workforce Engaged (Approx.)	Sample Size
<b>Medium</b> (Exporters)	Rs 1 - 50 Crore <b>(USD 250,000 - 12.5 million)</b>	150	4000	11
<b>Small</b> (Manufacturers for Domestic Market)	Rs 5 Lacs to 5 Crore <b>(USD 12500 - 1.25 million)</b>	300	5000	10
<b>House hold units &amp; Micro Enterprises</b> (mainly in the supply chain of small & medium)	up to Rs 5 Lacs <b>(USD 12500)</b>	10,000+450	50,000+4000	12
<b>TOTAL</b>				<b>33</b>

The sample size for Focused Group Discussion was as under

**Table 5B: Overview of the FGD sample from Jalandhar**

Level	Number of FGDs	No. of participants per FGDs
Workers Group	3	4
Financial Institutions	3	1
Govt. Regulatory Bodies	3	1
Civil Society Organisations	3	1
<b>Total Number of FGD's</b>	<b>12</b>	<b>7</b>

## 2.6 Textile and garment cluster in Atuntaqui (Imbabura, Ecuador)

### ***Historical perspective:***

The town of Atuntaqui is located in the northern province of Imbabura, which has a long-term history in textile and garment production. The greater city region has only 35,000 inhabitants, yet nearly 50% of its workforce is employed in the sector and the rest engage in farming, construction and tourism. In the sixties some large textile manufacturers, employing nearly 1500 people, closed and gave way to the creation of many SMEs, today estimated at 660 units.

The SMEs in Atuntaqui had based their competitiveness on low cost production. Since 2000 the Ecuadorian government, in an attempt to restore its monetary stability, officially made the decision to abandon the hyper-inflated sucre (former Ecuadorian currency) and adopt the US dollar as the nation's official currency. With this change, prices increased to the extent that producers lost access to their traditional export market in Colombia, at the same time making Asian imports even more attractive.

### ***Present scenario:***

These challenges practically forced entrepreneurs to recognize that they could not "go for it alone" and an appropriate strategy had to be adopted. UNIDO assisted in this change, introducing trust building activities in form of study tours, joint factory visits and encouraged participation in trade fairs. United involvement of enterprises, institutions, trade unions and local government brought upon favourable changes. In the last three years the cluster of Atuntaqui experienced on average 15-20% growth, tremendous when compared with the 4-5% economic growth of the country.

The enterprises in the cluster engage in textile, woven and knitted fabric production, or garment assembly. The finished product categories vary widely; from childrens-wear, nightwear to active-wear t-shirts and bottoms. Numerous brands have been established, out of which 17% are distributed locally, and 30% on regional markets. Nearly half of the enterprises, 48% have a countrywide distribution, while only 7% export, mainly to Belgium, the United States, Venezuela, Costa Rica, and Colombia.

Due to insignificant exports, enterprises are rarely exposed to buyer demands or pressure to conform with certification requirement. Equally 6% are ISO certified, and most are not aware of any sector specific private certification standards.

In the last three years most enterprises, 90%, indicate an income increase on average of 15%, and the remainder maintained their income level. This significant improvement contributed to an employment increase with 65% enterprises, while others maintained previous levels.

Similarly capital investments were made by 95% of all cluster enterprises, amounting between \$10,000 and \$170,000, and upgrading to computerized models or adding embroidery or engravers, which help to increase products' added value. In particular two enterprises, invested above \$100,000 also in expanding their warehouse and production facility.

Clearly the growth in income was achieved through improved production efficiencies, driven by new technologies, and enabled the enterprises to invest in labour welfare, improving their working conditions and benefits.

### ***Nature of Work:***

Practically 50% of the SMEs are small, operating in the informal sector. However due to the economic prosperity, the entrepreneurs observe the benefit of moving from the informal "handicraft" labour conditions to formal employment contracts, which require employers to pay social security, higher wages or even provide private health insurance. This transition is also occurring under market pressure, since Atuntaqui is experiencing shortage of skilled labour, brought upon by other sectors. To remain competitive textile and garment enterprises are forced to offer above average working conditions. And in order to reduce labour turnover businesses offer training, particularly focusing on technical skills upgrading.

Most enterprises, 90%, within the cluster are family operated. Principal ownership and management remains with the husband, who is the main decision maker, while predominantly the wife manages the production operation. Typically their children step into parents' footsteps and assist in the business operations. Most enterprises, 70%, have been in operation for more than 11 years, demonstrating an overall maturity of the cluster. Young managers account to 35%, are innovative risk-takers and have contributed to the dynamism of the cluster.

On average all cluster enterprise employ 87% women, and in garment assembly plants the percentage is even higher, 95%. Employees are ethnically homogenous, since only 10% come from indigenous groups, identical to the percentile representation in the city. Child labour was present, and declined through the UNIDO project, and now can be considered insignificant.

**Study sample:**

The sample for this survey, provide a cross-section and are exemplary for all the enterprises within the cluster. Out of the 20 interviewed only half had benefited directly from the UNIDO Cluster and Network development project. They are:

**Table 6A: Overview of the sample from Atuntaqui**

Enterprises	Cluster Enterprises	Number of employees	Gender
Small	3	1 - 10	Men: 0.7% Women: 99.3%
Medium	7	10 - 40	Men: 13.6% Women: 86.4%
Large	10	40 – 100	Men: 16.5% Women: 83.5%
<b>TOTAL Sample</b>	<b>20</b>		

**Table 6B: Overview of the sample from Atuntaqui**

	Investments	Financial Contribution	In-kind Contribution	Time Contribution
Small	Around \$50,000	\$500 - \$1,500 annually	\$300 - \$600 annually	Two hours per week
Medium	\$100,000 – \$300,000	\$1,500 - \$2,500 annually	\$600 - \$800 annually	One hour per week
Large	\$300,000 – \$500,000	\$2,500 - \$5,000 annually	\$800 - \$1,000 annually	One hour per month

Majority of surveyed enterprises, 60% represent the informal sector, and were found not keep any financial records, often with the objective to remain invisible and avoid taxes. However it was found that lack of transparency was rooted in limited awareness, and lacking pressure from outside to formalize financial records keeping.

During the cluster project, UNIDO facilitated costing and pricing training, which gave an impetus for some enterprises to develop and implement crude accounting software. Only then entrepreneurs became aware of their limited financial insight into businesses' profitability. Despite this awareness, many remained informal and sacrificed access to state services and bank credit, thus limiting further growth prospects.

Therefore since the information obtained within the survey is solely based on the owners' self-assessment, which to the most part was factual, yet cannot be verified due to lack of records.

## 2.7 Handicraft cluster in Senegal

### ***Historical perspective:***

Senegal, West African nation is renowned for its creative fashion designers, among them Oumou Sy, who succeeded in showing her theatrical fashion at various international fashion shows. Similarly handcrafted products, such as interior textile and decorative objects, handbags, baskets, toys or painted glass plates, have found ways to European and US retail stores. Many more products are exported via suitcases of Senegalese diaspora mainly to France and some selected cities in the US. Alternatives to international export exist and most MSEs attempt to cater to tourists visiting the country accounting to 700,000 per year. The importance of the annual local and regional trade fairs, such as the DAK'Art in Dakar or SIAO in Burkina Faso, should not be underestimated as they equally offer opportunities to show Handicraft products.

Many MSEs manufacturing handcrafted products such as garments, accessories and decorative articles are pronominally small, and employ not more than 10 employees. Their production facilities are basic, productivity is low, and purchase orders inconsistent and of different size, thus making production planning difficult. Therefore sourcing of inputs is made ad hoc and in various quantities impacting negatively on product's cost and ultimately keeping prices high.

### ***Present scenario:***

Since 2002, UNIDO has addressed the needs of small producers in various sectors, and focused on developing their productive capacity through joint action, such as sourcing raw materials or participating together at distant trade fairs. At least 30 organised networks in the Handicraft sector profited from our approach, and with participation of professional organisation, such as FENAPH, these MSEs were able to attain economies of scale in purchasing inputs or accessing financial services.

Parallel project analysed access of Senegalese handcrafted products to various markets, discovering similar limitations of price and quantity. Simultaneously numerous handcraft producers, with the support of the government, participated in international trade fairs, thus gaining exposure to more challenging clients. Yet without continuous representation, via an exporter or trading organisation, who develops relationships with retailer in buyers markets, these random trade show visits remained fruitless in the long-term.

### ***Nature of Work:***

By and large surveyed MSEs are small units, where the difference between employee, salaried fulltime workers, member or stakeholder blends, making it difficult to determine a baseline that applies across all structures. Equally unclear is if these structures pay social costs, since often no records are kept.

Cooperatives are member organisations, where not all members might be regularly employed; and members may reserve the right to produce items in the communal facility often paying just a rental fee. Cooperatives, founded on member participation are inadvertently closely linked to the community and therefore can cite various examples of community development.

Surveyed individual enterprises, where owner and manager is the same person and guided by a profit objective. These enterprises are buyers, relying on semi-processed materials supplied by cooperatives in rural areas, often processing them further and marketing them with an export objective.

### ***Study sample:***

The sample for the survey was picked from network development project, selecting a cross-section of MSE types. Professional organisations, which represent many individual producers in the handicraft sector, were included in the survey and thus increased the representative number. The survey directly surveyed 11 MSEs, encompassing an indirect number of surveys individuals of 18,582, with a 57% woman representation, typical for Senegal and the sector. Comparative sample of MSEs selected from outside of any UNIDO project were again chosen to offer a variety in terms of size and regional representation.

**Table 7: Overview of the interview sample from Senegal (in F CFA)<sup>10</sup>**

	Investment	Cooperative	GIE Productive Groups	Individual Enterprises	Professional Organizations	UNIDO assisted	
						PROJECT	NO
<b>Small</b>	3-5,000,000 FCFA \$6,480 - \$10,799	0	2	1	1	3	1
<b>Medium</b>	Below 10,000,000 FCFA \$21,598	1	1	1	0	0	3
<b>Large</b>	Above 10,000,000 FCFA \$21,598	1	1	1	1	2	2
<b>TOTAL</b>		<b>2</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>6</b>

UNIDO's engagement with MSEs in Senegal, during the various projects, followed along the line of different project driven selection criterion. However to show diversity the sampling was mixed and included MSE that did not obtained UNIDO assistance, also to show the potential in scope and scale of ESR engagement of artisan producers. Moreover they provided many of the examples and best practices in this report.

<sup>10</sup> Throughout the report the exchange rate of US \$1 (USD) equals to 463 Franc CFA the West African Economic and Monetary Union (or UEMOA)

### 3 ESR Perception & Behavior of SMEs in clusters

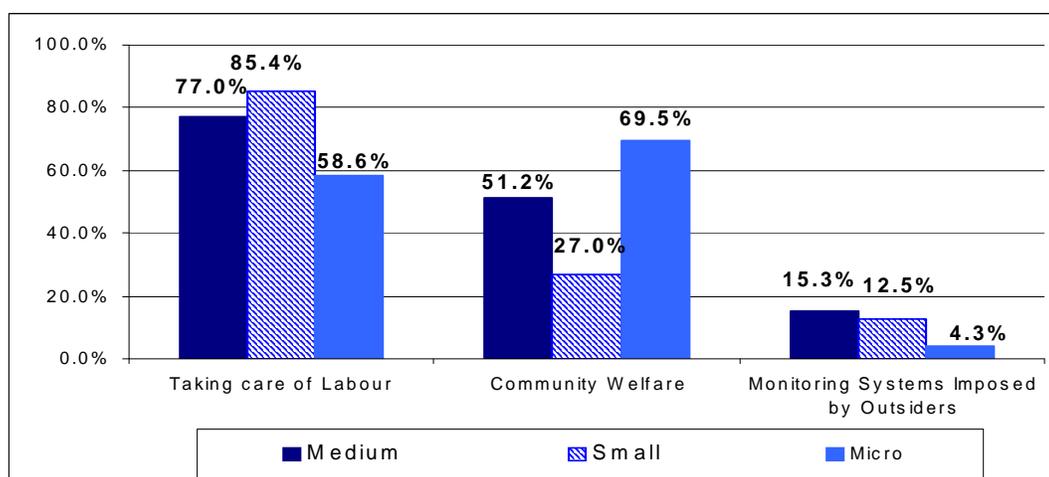
#### 3.1 Perceptions

There was no homogeneous definition of the term Enterprise Social Responsibility, given by the respondents. Majority distinguish 'taking care of the labour' as an enterprise internal action and externally infer as 'involving in community welfare'.

When requesting a definition of ESR, enterprises across all clusters identified 'taking care of the labour' as the most predominant answer, which was followed closely by the 'involving in community welfare'. These definitions could be seen as either those that are riding on the moral values and maybe reflecting the right spirit of social responsibility, or just an ethical answer that puts emphasis on 'good' rather than practical behaviour in response to challenges set by the markets and societies. In all the clusters surveyed, the number of SMEs that viewed ESR as guidelines for good business practices was very minimal.

By the term 'taking care of labour', most small firms referred to making timely wage payment, providing workers with interest free loans, awarding bonus and sometimes just providing basic minimum wages. For the micro units, however, the term would also implies provision of workers with tea and snacks in addition to paying timely wages and personal loans.

**Graph 1: Meaning of ESR for Indian SMEs – based on inclination to invest in CSR**



The graph<sup>11</sup> above provides an overall perception of the meaning of the term ESR from all the Indian clusters<sup>12</sup>.

As shown in the above graph, the small and medium enterprises are more inclined to invest in 'taking care of labour' than micro units. The reason for this could be because the former have a larger labour pool to maintain, which makes it obligatory for them to spend on the wage bills and perks. However, when it comes to the aspect of 'community welfare', the inclination shifts to the micro enterprises, possibly because they are closer to the beneficiary communities and thus tend to contribute more, at least in terms of 'time devoted' if not absolute 'money donations'. Within the international surveys similar trend was detected, yet due to non-conformity of statistical data, they could not be included in this graph.

Clearly the ESR is company driven and is not perceived to be a 'monitoring systems imposed by outsiders'. Only the small and medium units, exposed to interactions with larger sphere i.e.

<sup>11</sup> Multiple choice was allowed to the respondent by the interviewer

<sup>12</sup> Please note that this depicts only the major categories of responses and not all.

buyers, importers and government, identified the outsider pressure. Understandably since only they are predominantly involved in global supply chains, and exposed to buyers' code of conduct.

Despite the clearly defined difference between the terms CSR/ESR, philanthropy and "silent CSR", we have observed that such terms have not been a part of the entrepreneurs' vocabulary, so to them the distinctions were of little importance. To the most part, the actions taken by the interviewed SMEs were "silent CSR" since they were implemented without seeking any directly relatable financial and business benefit for the actions taken.

In greater detail the perceptions for the individual clusters were as follows:

- **Moradabad:** 73% associate ESR with taking care of labour, while 34% denote community welfare to the main scope of activities. In addition 50% of exporters expressed that ESR in today's world was a pre-requisite and requirement to work with global brands.
- **Trichy:** Mainly small scale units followed by micro and medium enterprises ascertained "taking care of their own labour" as the first and foremost social responsibility activity.
- **Kalady:** Clearly 'taking care of the labour' and 'involvement in community welfare' takes precedence over codes and guidelines for working conditions. Only 20%, the ones who are ISO certified, reference ESR with certification or compliance with social code of conduct.
- **Ludhiana:** On average 69% of enterprises identify "taking care of labour" as the main ESR priority. Approximately 23% denote it as a system imposed from the outside and a requirement to work with global brands, expressed mainly by exporting enterprises. However only 19% perceive ESR to be an activity involving community welfare.
- **Jalandhar:** Activities involving community welfare are associated on average by 79% enterprises as ESR, with micro in the forefront. Taking care of labour is not of equal importance to all enterprises, scoring on average only 58%; while led by medium sized enterprises. Interestingly, the medium and small enterprises also view ESR activities as a goodwill gesture that helps to strengthen contacts.
- **Ecuador:** 'Taking care of the labour' and 'involvement in community welfare' gained on nearly equal importance with 27% and 23% respectively. Only handful of firms, 8% who also export, perceive ESR as a guideline for ethical governance, since they were exposed to some certification procedures.
- **Senegal:** 60% of the interviewed enterprises associate ESR as 'taking care of the labour'; while 30% see them as useful guidelines for responsible governance. Only 10% connect them with community welfare. Yet to the most part interviewed MSEs since they did not judge such actions as extraordinary business practices, thus keeping their actions silent.

While the definition of ESR varies greatly across countries and enterprises, we can also notice that the interviewed SMEs rarely expressed that implementation of ESR was imposed by immediate and remote business environment. Therefore, since these actions are voluntary we continue to look at the motivating factors that entice their implementation.

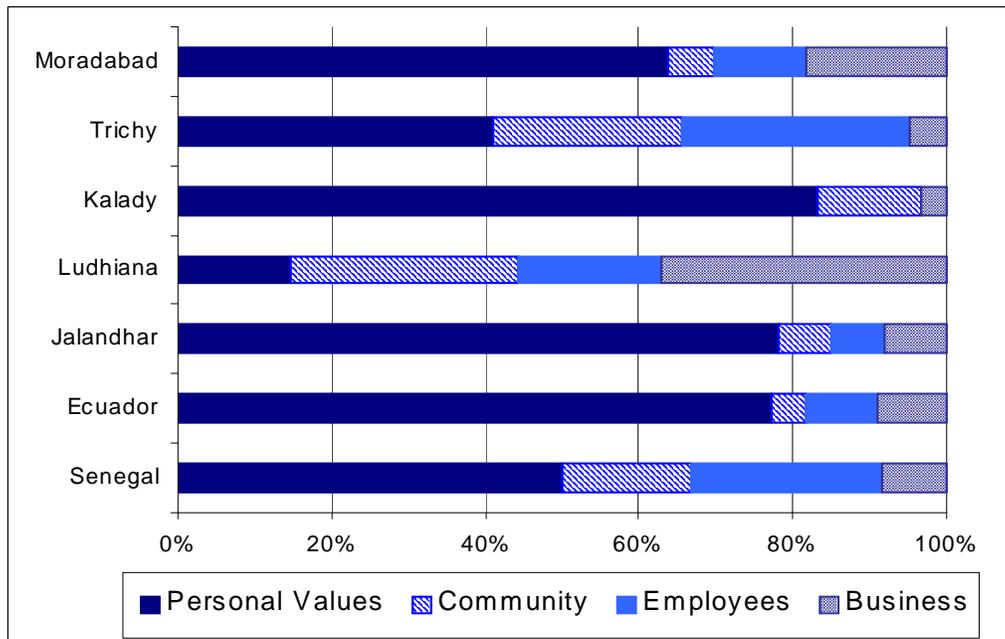
### 3.2 Drivers

**Implementation of ESR activities is to the most part driven by the personal values of the entrepreneur.**

The precedence of personal values over business gains driving the ESR priorities, especially the external ones, is further established by the fact that the motivation to drive any ESR is perceived as a moral obligation of an individual towards its employees or community often represented by charities.

When graphed together the drivers appear to follow the trend, however the reason for such still need to be explained in respect to each context to become meaningful.

**Graph 2: Types & extent of drivers influencing ESR activities – the respondents' views**



- **Moradabad:** ESR is driven by the personal values of the entrepreneur at 64%, which in particular is the case of exporters and household units alike. In small scale enterprises, represented by manufacturers, the employees tend to drive the agenda.
- **Trichy:** Close to equal driver part is observed with personal values, community and employees. Most probably due to cluster firms' evolution, from totally vertically integrated to now being on the supplier list of the multi national corporations. The change in work standards as well as the rapid income growth reflects firms' preferences for social responsiveness, making the driver distribution equitable at the moment.
- **Kalady:** Only in case of internal ESR the employees have played a driving role. To the most part it is the entrepreneur who decides on the type and scope of activity, whose values are nurtured by religious faith. Certain external actions have been encouraged by business organisations such as Rotary or the Lions Club.
- **Ludhiana:** Business related issues are the driving force at, 37%, and become the reason for implementation. As more global apparel brands source form the cluster, enterprises become sensitive to social compliances issues. The entrepreneur remains the decision maker, though the reason for major investments that are being done under ESR in this cluster are increasingly becoming business driven.
- **Jalandhar:** In every enterprise size, entrepreneur's personal values dominate with 78% the driver. Community and employees influence the ESR activities only slightly, while 27% medium exporting enterprises indicate that their global buyers set the tone for ESR activities.
- **Ecuador:** Personal values run high, with employees and business drivers set at equal 9%, the community is felt with the least influence over the ESR activities. Not surprising in an environment, where 90% of all businesses are sole-proprietorships, with the owner taking all decisions.
- **Senegal:** Employees as cooperative members are direct enterprise stakeholders, and in 25% of the cases drive the ESR agenda, and are at the same time the implementers, having say as to the type and scope of each activity.

The driving force remains in the hands of the entrepreneur, despite the variety of influences, who selects and determines the implementation of ESR. Furthermore we look at the type and scope of these activities to better understand the entrepreneurs' choices.

### 3.3 Behaviour

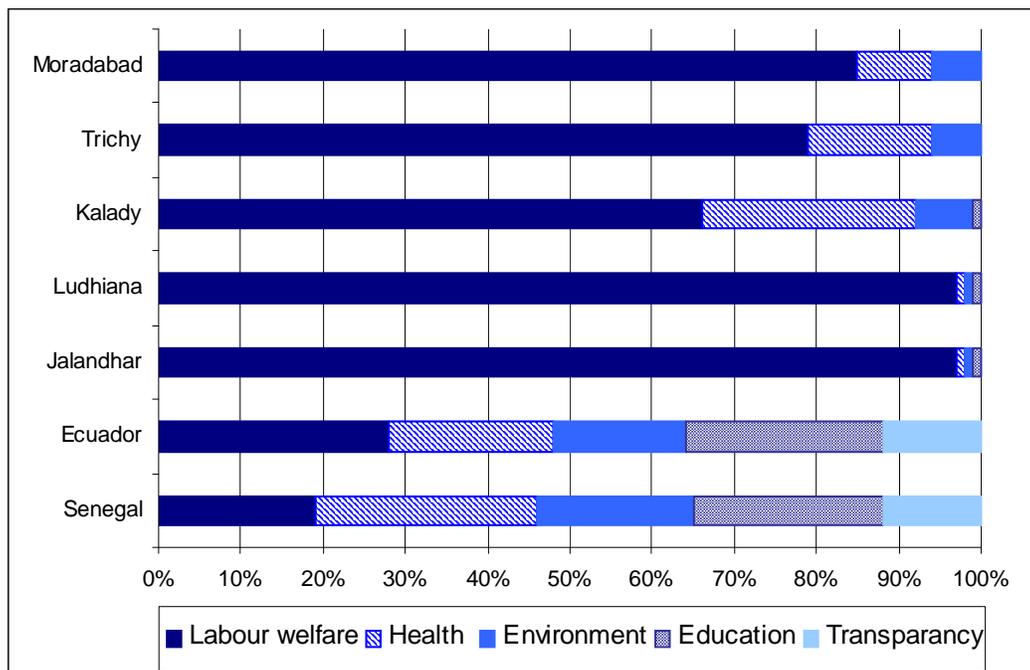
Based on our delineation of ESR we will be looking at three categories of activities. SME actions conducted within the enterprise, referred to **Internal ESR**, as well as actions benefiting the outside environment, referred to here as **External ESR**. Finally we distinguish activities conducted jointly with either cluster firms or support organisation which will be outlined under **Collective ESR**.

#### 3.3.1 Internal

Across all interviewed clusters, Internal ESR activities are marked by some favourites, such as labour welfare, health care and with environment and education trailing behind.

Inward looking ESR activities aim to strengthen the organisation mainly for the benefit of its labour force and the working environment. Across all clusters the categories and the resources spent on each differ slightly and are influenced by the industrial sector as well as the size of firm, which often implies its position in the products' value chain. To the most part these activities ride more on the informal relationships between the employer and the labour than any policies or

**Graph 3: Internal ESR expenditures (% of total expenditures on ESR)**



systems. An extensive list can be viewed as part of the Annexure 6.2.

Broadly outlined internal ESR activities focusing on **labour welfare**, and stretch between 19% and 97% of total expenditures on ESR, include fair and timely payment to workers, bonus and gifts and monetary aids for family events, financial saving schemes and interest free loans, provision of food and accommodation to residential employees, and last but not least uniforms and protective gear. Particularly in terms of labour welfare, medium sized enterprises, often represented by exporters, fine-tune their services such as provision of job contract in local language; fixed working hours, display all policies in visible area to all, job security guarantees, leave encashment, and respect of gender related issues.

In terms of contributions to **health care**, extend between 1% and 27% of total yearly ESR resources, enterprise may provide free medical help, subsidised private health insurance, maternity benefits, healthy work environment, protective gear and accessibility to first aid kits,

health club membership; as well as substance abuse counselling and training on health related issues. In some cases these services have been extended to employees' children and next of kin, hence despite their internal focus they equally impact the outside community.

Expenditures in respect to the environment such as **cleaner production** and recycling are nominal particularly across Indian clusters, from 1% to 7%; nevertheless the individual actives are noteworthy. Employee **education**, constitutes minor portion of total ESR spending, and includes training and upgrading worker skill-level, in terms of their technical and business skills.

**Transparency**, focusing improvements of record keeping, accounting and financial communication with employees, is only visible in two clusters and their specific actives are explained in greater detail below.

Following, in greater detail, we review internal ESR activities for each cluster, while providing supporting statements with adjacent graphs and tables.

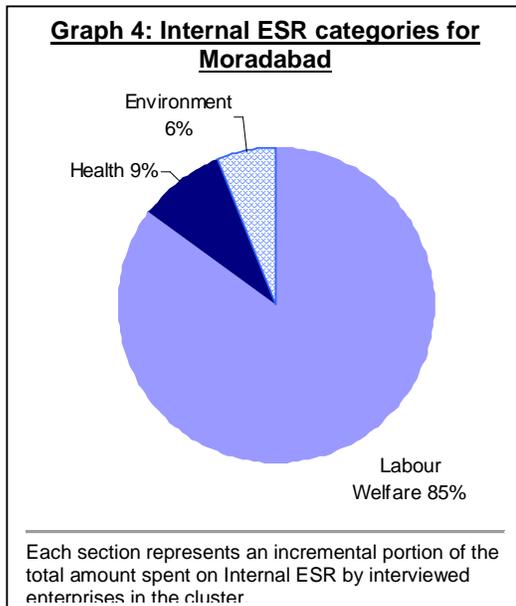
### **Moradabad Brassparts**

The sampled enterprises in total contributed substantially to internal ESR, amounting<sup>13</sup> to Rs. 684,250 (USD 17,106) per annum. Such is mainly due to few large exporters whose investment in various compliance systems<sup>14</sup>, while focusing on benefits to the labour within their units. However, due to substantial labour subcontracting and because of huge turnovers (ranging from USD 250,000 to 12.5 million), the contributions in percentage terms are a minute fraction.

**Table 8: Contribution to ESR in terms of percentage of yearly turnover - Moradabad**

	Internal ESR (in %)
Household units	1.1 - 6.2
Small Manufacturers	0.2 - 2.8
Exporter	0.5 - 0.8

In case of small manufacturers, however, the internal ESR activities were dominated by their monetary spending to meet the needs of their workers on personal loans and medical assistance. The same was the case with household units, which with their meagre turnovers of around USD 2000, made considerable provision between 1.1% to 6.2%, for financial support, medical help, and sometimes even providing tea and refreshments for their workers.



Labour welfare across all enterprises assumes 85% of the annual ESR expenditures. Another important aspect is the investment that the exporters make in maintaining the in-factory environment. While most of the credit for this goes to the foreign buyers that demand a certain workplace standard, it is also true that the increased awareness of the environment factor was activated by a full fledged ILO project in Moradabad aimed at elimination of child labour and improving general working conditions in the industry. Proving a point that donors and development programmes can sometimes undertake a role of an ESR driver.

Examining ESR contributions according to enterprise size we notice that exporters tend to diversify their expenditures across various categories, while household units focus on issues closest to them, thus predominantly labour and healthcare.

<sup>13</sup> The amount does not reflect the absolute total as the quantitative data was not provided by all the respondents.

<sup>14</sup> The activities that are based on legal compliances are also being seen as ESR because it is not a usual norm in the industry to follow these.

**Table 9: INTERNAL ESR implementation preference categories in Moradabad sample**

	Household units	Small Manufacturers	Exporters
<b>Labour welfare</b>	82.5%	85.3%	85.2%
<b>Health Care</b>	17.5%	14.7%	8.6%
<b>Environment</b>	-	-	6.2%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Trichy Engineering Fabrication**

For all interviewed firms, the integral annual spending on internal ESR is around Rs.7.2 million (USD 180,000). This figure does not include the expenditure on training and development, dominated by two medium size firms, which alone adds up to Rs 15 million (USD 375,000). As part of compliance to code of conduct set by larger multi-national corporations; these two firms are overhauling their internal system and thereby investing heavily. Beyond these two firms the cluster does not seriously invest in education, thus implying that enterprises act when only forced to do so.

Nevertheless the total percentile contribution by medium enterprises towards all internal ESR activities, as part of the yearly turnover, is just a fraction as compared to the micro units.

**Table 10: Contribution to ESR in percentage of yearly turnover - Trichy**

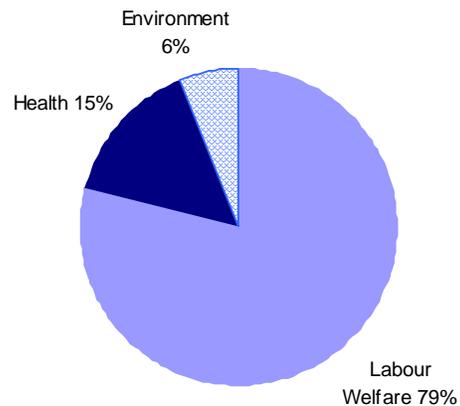
	Internal ESR (in %)
<b>Micro</b>	1.92
<b>Small</b>	1.32
<b>Medium</b>	0.88

The fabrication industry involves labour intensive operations and so one finds that a majority of the internal ESR activities is focused on workers' welfare. Since the factory workforce is a mix of contracted and direct labour, benefits provided to them vary between formal and informal. The small firms in the cluster are also involved in the process of 'shot-blasting', a highly-polluting operation. For this reason, Trichy enterprises have to spend a good deal, 6.8%, on satisfying the norms laid down by the state pollution regulatory authorities.

The Trichy industry too involves labour intensive operations and thus here too one finds a relatively high amount of spending on labour welfare activities, which accounts to 79% of all activities. One would assume that an expense of variable nature such as labour welfare should increase with the increase in size of the firm and thus make the increase in welfare bill proportional. However, the important thing to note here is that for most medium size firms, the relative cost of welfare per unit of labour was less due to the firms' standing in a higher-revenue generating product.

Also in Trichy the micro units, represented by household production units, concentrate their expenditures exclusively on one category which is of most importance, labour welfare.

**Graph 5: Internal ESR categories for Trichy**



Each section represents an incremental portion of the total amount spent on Internal ESR by interviewed enterprises in the cluster.

**Table 11: INTERNAL ESR implementation preference categories in Trichy sample**

	Micro	Small	Medium
Labour welfare	100%	80.6%	85.8%
Health Care	-	5.8%	13.1%
Environment	-	6.8%	1.1%
Training & development	-	6.8%	Only 2 firms in a major way
	<b>100%</b>	<b>100%</b>	<b>100%</b>

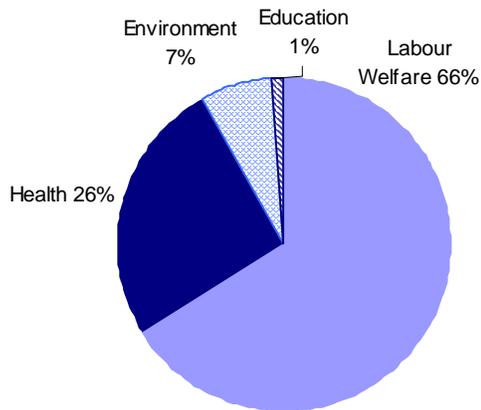
**Kalady Rice Milling**

In case of Kalady, the consolidated amount spent by all interviewed firms was Rs. 16,716,214 (USD 417,905). Irrespective of the size of the firm, the main spending categories were for provision of food and accommodation to the labour force. Due to the nature of activity, all mills require high number of inexpensive labour, so without exception the industry has adopted various perks to entice cheap workforce from remote villages and neighbouring states. Particularly bigger firms can benefit from economies of scale in procuring in procuring food and accommodation, or even constructing accommodation sheds; consequently reducing their spending percentage on turnover considerably to only 0.021%.

**Table 12: Contribution to ESR in percentage of yearly turnover - Kalady**

	Turnover (in Rupees Crore)	Internal ESR (in %)
<b>A</b>	0-5 Crore (up to USD 1.25 million)	1
<b>B</b>	6-10 Crore (USD 1.5 – 2.5 million)	0.82
<b>C</b>	11-15 Crore (USD 2.75–3.75 million)	0.36
<b>D</b>	100 Crore & above (above USD 25 million)	0.021

**Graph 6: Internal ESR categories for Kalady**



Each section represents an incremental portion of the total amount spent on Internal ESR by interviewed enterprises in the cluster.

Not surprising, that labour welfare contributions represent the main portion of internal ESR expenditures, at 66%, while considerable 26% goes towards health, such as free medical care services; another vehicle to retain cheap labour.

Besides, due to pollution making processes, the firms are also compelled to invest in providing safe environment and also setting up waste treatment plants. Having said that, it is an open reality that most of this expenditure actually goes into bribing of pollution regulatory officers, and does not really reflect in any improvement in the environmental and working conditions of these mills.

**Table 13: INTERNAL ESR implementation preference categories in Kalady sample**

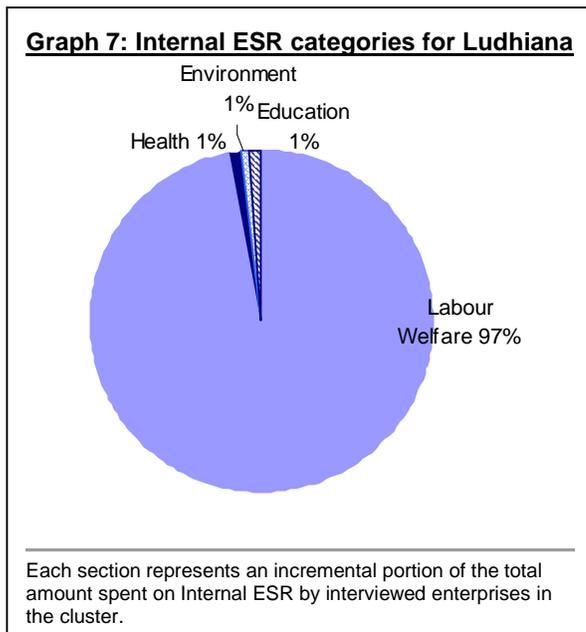
Sample units	A 0-5 Crore	B 6-10 Crore	C 11-15 Crore	D 100+ Crore
Labour Welfare	78%	80%	72%	62%
Health Care	15%	11%	10%	31%
Environment- Cleaner Production	7%	8.8%	17%	2%
Training and Development	-	0.2%	1%	5%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Ludhiana knitwear cluster**

Total internal ESR contribution by sampled enterprises, amounted to Rs. 9,966,539 (USD 249,163) per annum. As displayed in the table below the correlation between size and quantum of ESR didn't follow the pattern seen in other clusters. The medium size units invest a fair amount on internal system compliances, required by codes and standards of global brands, which the former supply too.

**Table 14: Contribution to ESR in percentage of yearly turnover - Ludhiana**

	Individual Internal ESR (in %)
<b>Sub-contractors</b>	0.780
<b>Small size units</b>	0.170
<b>Medium size units</b>	1.020



At 97% contributions towards labour welfare dominate internal ESR activities. Clearly compliance standards set by global buyers, determine their obligation to pay full benefits such as those related to overtime, bonus, medical allowance, maternity allowance, and contribution to employees' provident fund. All this is over and above the usual norm of providing interest free loans and advances for the personal or family needs of the workers. Besides, due to the nature of garment industry, these firms invest in training and development activities.

Similarly in Ludhiana, the medium sized firms, exporters, tend to diversify their expenditures across various categories, while subcontractors focus on few selected issues; such as labour, healthcare and environment.

**Table 15: INTERNAL ESR implementation preference categories in Ludhiana sample**

	Subcontractors/ Fabricators	Small Manufacturers	Medium Exporters
<b>Labour welfare</b>	39%	51%	30%
<b>Healthcare</b>	30%	26%	30%
<b>Environment</b>	30%	13%	22%
<b>Training &amp; Development</b>	-	10%	17%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

### **Jalandhar Sports Goods Cluster**

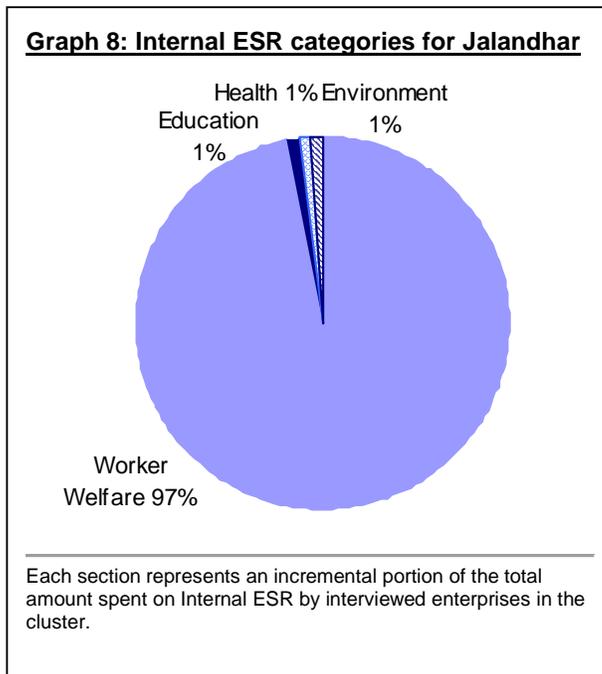
The consolidated amount spent on internal ESR activities by all interviewed firms was Rs. 5,471,000 (USD 136,775), and its 97% contribution focused predominantly on labour welfare strongly dominated by those items that are related to compliance systems.

Contrary to general perception, micro enterprises spend 3.69% of their turnover on internal ESR activities, while the medium sized units may implement a greater number of activities and spend larger amounts in cash, in-kind or time contribution, yet overall only contribute 0.44% of their turnover. Partially reason being, that exporters employ minimal workforce within the factory premises, whereas the micro ones share a close bond with the workers and thus be spending on providing for their personal and family needs.

**Table 16: Contribution to ESR in percentage of yearly turnover - Jalandhar**

	<b>Individual Internal ESR (in %)</b>
<b>Micro</b>	3.69%
<b>Small size units</b>	0.43%
<b>Medium size units</b>	0.443%

**Graph 8: Internal ESR categories for Jalandhar**



Pronominally medium size enterprises, which are exporters and supply big international sporting brands, are cognisant of prevailing issues such as child labour, or underpayment of contractual workers. Therefore to maintain positive commercial relationships with the brands, they have undertaken a leadership role and established initiatives such as the Sports Goods Foundation of India (SGFI) that facilitates in keeping the products' value chain compliant.

Beyond the preference in the main internal ESR categories such as labour welfare, health and education, the cluster enterprises perceive internal transparency as important, providing clarity and training to workers on payments and wages calculation. In addition all exporters have invested in apprenticeship system, which provides at least three month paid training to new workers.

The other levels of firms in the cluster i.e. small and micro units have undertaken more informal activities such as offering interest free loans or grants for personal and workers' family needs.

**Table 17: INTERNAL ESR implementation preference categories in Jalandhar sample**

	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
<b>Labour welfare</b>	37%	34%	27%
<b>Health Care</b>	37%	34%	25%
<b>Environment</b>	11%	7%	12%
<b>Training &amp; Development</b>	16%	17%	23%
<b>Transparency</b>	-	7%	12%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Atuntaqui, Ecuador Textile and Garment Cluster

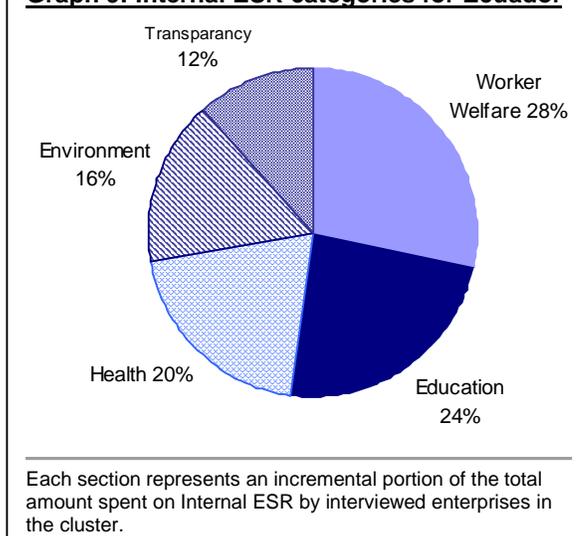
In the international context, enterprises were either unwilling or unable to provide actual figures of their yearly turnover. Consequently we decided to compare their ESR expenditures to the magnitude of their yearly investments, which they have made consistently over the last few years.

Total internal ESR contribution by sampled enterprises, amounted to USD 56,990 per annum. Following the set trend in most Indian clusters also in Ecuador the smallest SMEs contribute up to 1.18% of their annual investments on both internal and external ESR activities, somewhat more than their larger counterparts.

**Table 18: Contribution to ESR (internal + external) in Ecuador**

	Investments	Individual Internal & External ESR (% of yearly investments)
<b>Small</b>	around \$50,000	1.18
<b>Medium</b>	\$100,000 – \$300,000	0.69
<b>Larger</b>	\$300,000 – \$800,000	0.94

**Graph 9: Internal ESR categories for Ecuador**



The interviewed firms indicated that their resources are virtually evenly distributed across all categories, with worker welfare in the lead. We can observe substantial contributions towards education with 24%, a measure aimed to reduce worker turnover, in an environment where skilled labour was already in short supply. Even the small enterprises saw the benefit of educated workers, thus contributing 33.3% of the internal ESR on this category.

Contrary to the Indian cluster firms, transparency became an important category with 12%. During the UNIDO project cluster enterprises were informed about the importance of keeping financial records, product costing and accounting. Initially reluctant, the entrepreneurs finally saw the benefit from the gained insight into their cost

structures, enabling them to measure business' performance. With some enterprises, the increased understanding of their business performance was shared with managers and employees, thus increasing their sense of responsibility and building trust between workers and the entrepreneur.

**Table 19: INTERNAL ESR implementation preference categories in Ecuador (in %)**

	Small	Medium	Large
<b>Employee Wellbeing</b>	33,3	22,3	31,0
<b>Health issues</b>	16,7	21,3	20,2
<b>Environment</b>	16,7	22,3	11,8
<b>Education</b>	33,3	20,1	23,5
<b>Transparency</b>	-	14,0	13,5
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Senegal handicraft cluster

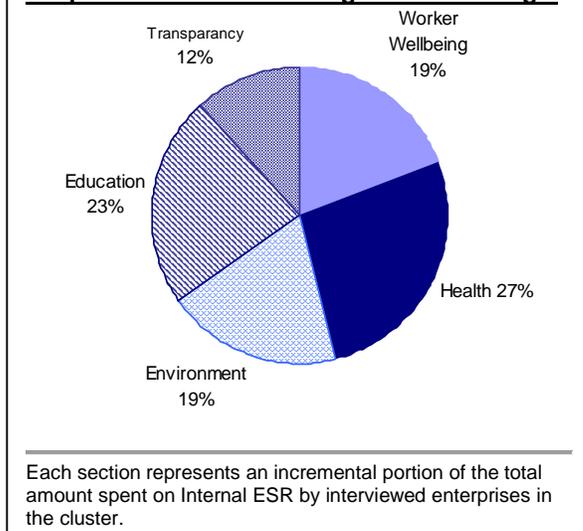
Also in Senegal, enterprises were either unwilling or unable to provide actual figures of their yearly turnover. Consequently we decided to compare their ESR expenditures to the magnitude of their yearly investments, which they were able to quantify with greater ease.

Total internal ESR contribution by sampled enterprises, amounted to 5,958,800 F CFA (USD 12,870)<sup>15</sup> per annum. Following the set trend in most Indian clusters also in Senegal the smallest SMEs contribute up to 6.1% of their investments on various ESR activities, outpacing the larger enterprises manifold. Partially because some entrepreneurs from small enterprises claim to contribute up to 20% of their time for ESR activities, which was quantified based on estimated hourly wage and included to the total monetary contribution. To the most part in-kind contributions are significantly higher than pecuniary, in some instances even 2.5-times the amount, reason being that MSEs readily contribute food or their products to employees rather than cash.

**Table 20: Contribution to ESR in Senegal**

	Investments	Internal ESR (% of yearly investments)
<b>Small</b>	\$6,480 - \$10,799	3.3 – 6.1
<b>Medium</b>	Below \$21,598	2.4 – 3.1
<b>Larger</b>	Below \$118,790	0.4 – 2.4

**Graph 9: Internal ESR categories for Senegal**



In Senegal the surveyed MSEs declared close to equal distribution between all categories, indicating that size of the MSEs have little bearing on the individual categories. Particularly health issues are of equal importance; reason being that most often employers provide health service assistance, since national services are unavailable to everyone and everywhere.

Transparency also shows prominence with 12%, given that many MSEs are economic interest groups and cooperatives, with members that are stakeholder and owners in the venture. They have vested interest and partake in the decision making process, thus spending time and resources on lengthy processes of informing, discussing and voting.

**Table 21: INTERNAL ESR implementation preference categories in Senegal (in %)**

	Small	Medium	Large
<b>Employee Wellbeing</b>	28%	12%	20%
<b>Health issues</b>	20%	34%	24%
<b>Environment</b>	17%	24%	18%
<b>Education</b>	35%	20%	23%
<b>Transparency</b>	-	10%	15%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

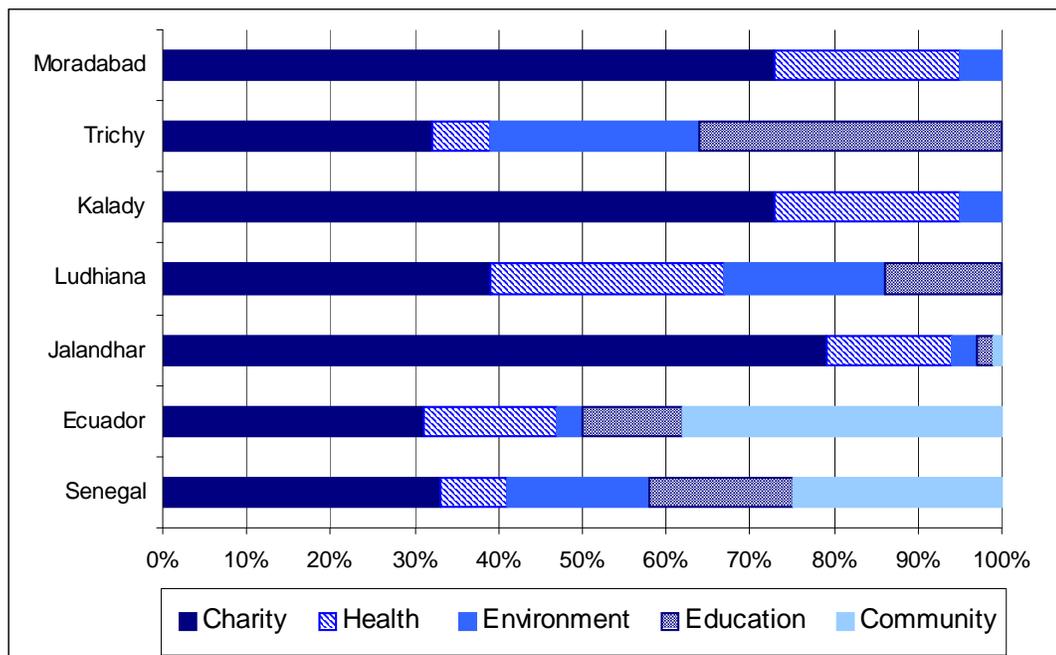
<sup>15</sup> Throughout the report the exchange rate of US \$1 (USD) equals to 463 Franc CFA, the West African Economic and Monetary Union (or UEMOA)

### 3.3.2 External

Across all interviewed clusters, External ESR activities are dominated by charity donations, and significantly behind health, education and environment cluster in uniform distribution.

Outward looking ESR focus on activities directed towards the benefit of the community at large in which the enterprise operates. Dominated by charity donations, which are strongly influenced by religious sentiment, the contributions take on various forms. Entrepreneurs' are the key drivers and thus want to express their larger responsibility towards the community where "everyone knows each other, and we, the more fortunate cannot deny the help"<sup>16</sup>. While we elaborate the individual categories below, an extensive list of activities by each cluster can be viewed in the Annexure 6.3.

**Graph 10: External ESR expenditures (% of total expenditures on ESR)**



**Charity donations** lead between 31% and 79% and include contributions to religious organisations, hospices and various homes for children and disabled. Interestingly medium sized enterprises prefer money and in-kind donation and micro enterprises opt for non-monetary contributions in form of food, blankets or time.

In terms of **health**, ranging from 7% to 28%, enterprises subsidise access to health services, organised blood drives, donated medical aids and equipment to hospitals and clinics. Some clusters have also established hospital trusts and even SME-level health plans. Occasionally benefits may extend beyond the close community, particularly during health camps organised in neighbouring villages.

Contribution towards **education** is not apparent in each cluster, extending from 2% to 36%. Where applicable, these funds flow to skills development institutions or for construction of schools and cultural centres. Frequently enterprise leader establish NGOs to run schools and training institutions, which not only benefit the sector but also the community. While **environment** and **community welfare** are limited to a few clusters, the contributions often constitute a large chunk of the external ESR budget, as in the case for Trichy or Ecuador.

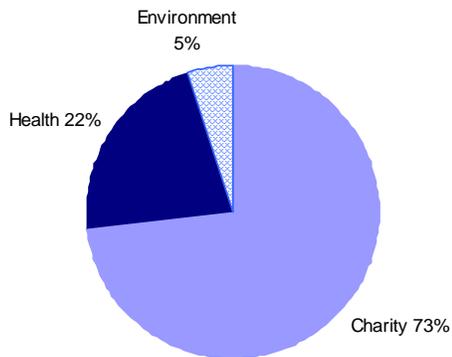
<sup>16</sup> Quotation by one entrepreneur from the Textile and Garment Cluster of Atuntaqui, Ecuador

## **Moradabad Brassparts**

The sampled enterprises in total contributed also towards external ESR, amounting to Rs. 81,000 (USD 2,025) per annum. Substantial contribution of 73% towards charity is attributed to Moradabad's dominant Muslim population, whose mandatory obligation is to share percentage of their wealth with family members and outsiders.

Main contributors of charity giving, focused predominantly on religious organisations, are household units which are tied closely to community networks, where social obligations

**Graph 11:**  
**External ESR categories for Moradabad**



Each section represents an incremental portion of the total amount spent on External ESR by interviewed enterprises in the cluster.

**Table 22: Contribution to ESR in terms of percentage of yearly turnover - Moradabad**

	External ESR (in %)
<b>Household units</b>	0.5 – 2.3
<b>Small Manufacturers</b>	0.4 – 3.4
<b>Exporter</b>	0.01- 0.09

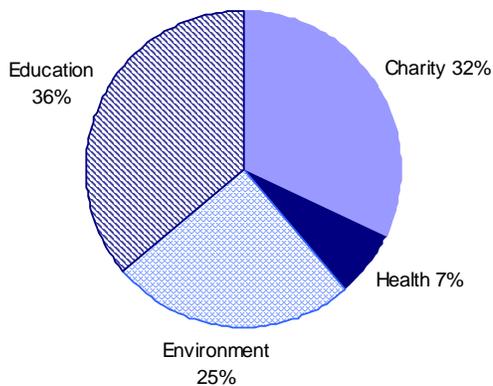
reign high. Although contributions to community charities are prominent with exporters and manufacturers as well, the amount competes with other categories of activities such as education, environment and health. The latter i.e. health has been another area of significance as one finds almost all entrepreneurs actively donating to charitable hospitals and dispensaries. This response is most probably generated by the huge existent gap between the demand and supply of public health facilities, especially in many small rural towns and around Moradabad.

## **Trichy Engineering Fabrication**

Total external ESR contribution by sampled enterprises, amounted to Rs. 4.78 million (USD 119,500) per annum.

Micro sized firms' contribution of 7.9%, which is concentrated only on charities, is one of the highest for all clusters. This figure appears

**Graph 12: External ESR categories for Trichy**



Each section represents an incremental portion of the total amount spent on External ESR by interviewed enterprises in the cluster.

**Table 23: Contribution to ESR in terms of percentage of yearly turnover - Trichy**

	External ESR (in %)
<b>Micro</b>	7.9
<b>Small</b>	0.44
<b>Medium</b>	0.10

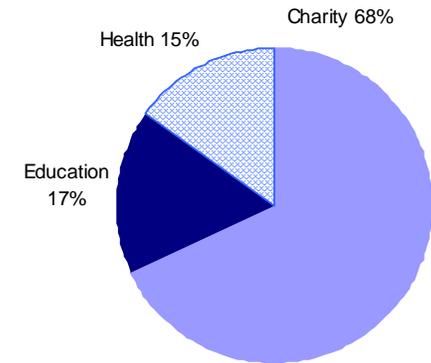
exaggerated possibly due to an exceptionally small sample size of micro firms from this cluster. On the other hand the contributions of small and medium enterprises appear in comparison humble yet show a more diverse portfolio, including contributions to education and environment. Again the latter can be attributed to the pollution generating processes within the industry itself that makes them sensitive to the cause.

## Kalady Rice Milling

In case of Kalady, the consolidated annual amount spent by all interviewed firms was Rs. 11,317,800 (USD 282,945).

Most interviewed firms are involved in charities, contributing 68% essentially to large Christian community centres around church driven community and health initiatives. Notable medium sized firms also run their

**Graph 13: External ESR categories for Kalady**



Each section represents an incremental portion of the total amount spent on External ESR by interviewed enterprises in

**Table 24: Contribution to ESR in terms of percentage of yearly turnover - Kalady**

	Turnover (in Rupees Crore)	External ESR (in %)
<b>A</b>	0-5 Crore (up to USD 1.25 million)	0.75
<b>B</b>	6-10 Crore (USD 1.5 – 2.5 million)	0.40
<b>C</b>	11-15 Crore (USD 2.75–3.75 million)	0.01
<b>D</b>	100 Crore & above (above USD 25 million)	0.027

own charitable trusts providing philanthropic assistance towards hospital renovation, education and provision of drinking water.

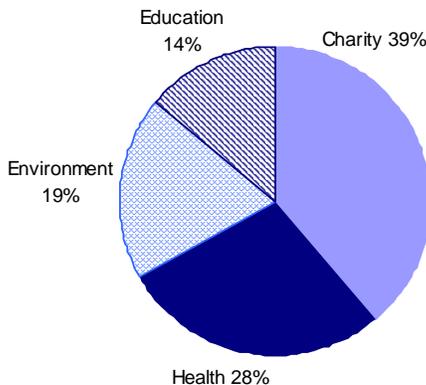
It is important to note that environment expenditures are entirely absent, yet which in fact should have been there since the industry involves significant water and air polluting processes.

## Ludhiana knitwear cluster

Total external ESR contribution by sampled enterprises, amounted to Rs. 446,123 (USD 11,153) per annum. Contrary to internal contributions for Ludhiana the quantum of ESR contributed by micro enterprises was higher than that of medium sized units, thus following the trend observed with most clusters.

There appears to be a lack of understanding for external ESR among enterprises that consider such activities not directly related to them, thus explaining the overall low quantum of contributions.

**Graph 14: External ESR categories for Ludhiana**



Each section represents an incremental portion of the total amount spent on External ESR by interviewed enterprises in the cluster.

**Table 25: Contribution to ESR in terms of percentage of yearly turnover - Ludhiana**

	Individual External ESR (in %)
<b>Sub-contractors</b>	0.09
<b>Small size units</b>	0.062
<b>Medium size units</b>	0.039

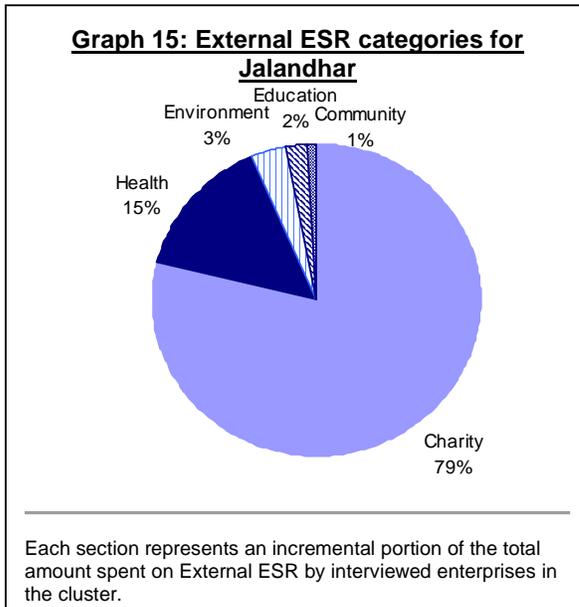
Nevertheless charity dominates all contributions, with main beneficiaries being religious and health related charities. For small and medium sized firms, education and environment too attracted contributions. The environment aspect here too was given importance to maintain community goodwill by keeping the surroundings of the factories clean. A well rounded focus on community needs probably explains the equitable distribution of the pie on external ESR.

### Jalandhar Sports Goods Cluster

The consolidated amount spent on external ESR activities by all interviewed firms was Rs. 2,912,000 (USD 72,800) per annum, and its 79% contribution focused predominantly on charity, in form of donation to community members, religious organisations and social institutions.

**Table 26: Contribution to ESR in terms of percentage of yearly turnover - Jalandhar**

	External ESR (in %)
Micro	7.82%
Small size units	0.38%
Medium size units	0.14%

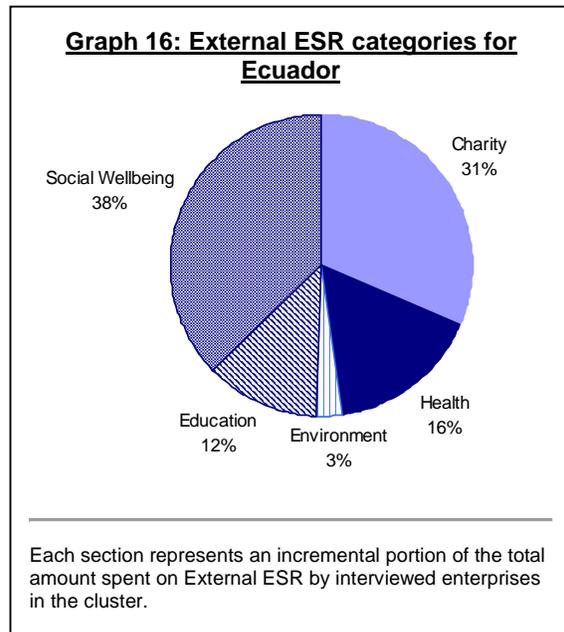


Health takes on a significant portion of the contributions as enterprises have setup hospital trusts or provide free medical aids to the community. Awareness of the environmental impact of the industry is still limited. Some initiatives, in seeking alternative wood types or conducting wood replanting initiatives have been initiated, yet till now do not translate into major ESR contributions.

### Atuntaqui, Ecuador Textile and Garment Cluster

Total external ESR contribution amounted to USD 30,980 per annum. Delineation based on enterprise size, indicating their internal and external contributions as per percentage of investments has been referenced together in table 18.

Also in Ecuador the external ESR contributions show significant charity contributions, yet in first priority social wellbeing emerged with 38%, reason being that the impact of cluster dynamics placed focus on social wellbeing activities, such as the development of sport centres or organising cultural events for the benefit of the larger community. Similarly is the case with health and education activities which all were outlined in the citywide strategic development plan jointly developed with cluster enterprises, the local government and chamber of commerce.

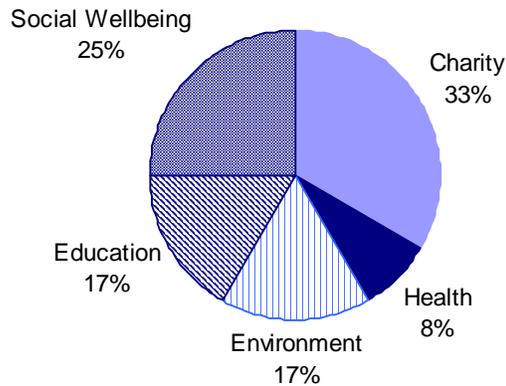


### **Senegal handicraft cluster**

Total external ESR contribution by sampled enterprises, amounted to 1,896,900 F CFA USD 4,097 per annum.

In Senegal, charity contributions top the list with 33%, where the smallest of the MSEs contribute the most. Social wellbeing category supported mainly by the larger and of the enterprises, includes the development of

**Graph 17: External ESR categories for Senegal**



Each section represents an incremental portion of the total amount spent on External ESR by interviewed enterprises in the cluster.

**Table 27: Contribution to ESR in Senegal**

	Investments	External ESR (% of yearly investments)
<b>Small</b>	\$6,480 - \$10,799	1.0 – 2.1
<b>Medium</b>	Below \$21,598	0.3 – 0.7
<b>Larger</b>	Below \$118,790	1.4

sports and cultural centres mainly for the benefit of children in the community. Similarly, only medium and larger enterprises are capable in developing community health and education services. Actions benefiting the environment are headed by smallest of the enterprises, who contribute mostly their time in form of garbage cleanups or assisting the installation of irrigation systems.

**Table 28: EXTERNAL ESR implementation preference categories in Senegal (in %)**

	Charity	Community Health	Environment	Education	Social Wellbeing	
<b>Large</b>	28%	16%	0	28%	28%	<b>100%</b>
<b>Medium</b>	33%	0	33%	0	33%	<b>100%</b>
<b>Small</b>	50%	0	50%	0	0	<b>100%</b>

### 3.3.3 Collective

**Collective ESR activities were initiated by the financially stronger enterprises in the cluster, and cooperated with local institutions in their implementation.**

We consider activities conducted jointly with either cluster firms or support organisation as collective. Yet from the obtained responses the separation was not so clear. Most respondents combined external ESR contributions with collective making separation of the quantitative nearly to impossible. Nevertheless in most clusters some collaboration efforts were evident and wherever available the information is provided below.

- **Moradabad:** Mostly the exporter community is involved in collective ESR activities, and contribute towards their own caste through welfare organisations that assist in girl marriages, education and health care. Similarly in association with NGO's, social and charitable clubs such as Rotary and Lions Club contribute they organise health drives in the nearby villages or tree plantation initiatives. Household units, following the pattern, prefer to associate with religious organizations, to who they also contribute most of their charitable donations, as indicated in respect to individual external contributions and shown in graph 11.

**Table 29: Individual versus Collective ESR contributions in Moradabad**

	Individual	Collective
<b>Household units</b>	98%	2%
<b>Small Manufacturers</b>	99%	1%
<b>Exporter</b>	99%	1%

- **Trichy:** The cluster marks few collective activities, which were initiated with local association, NGOs and organisations such as the Lions and

**Table 30: Individual versus Collective ESR contributions in Trichy**

	Individual	Collective	Both	TOTAL
<b>Micro</b>	17%	-	-	<b>17%</b>
<b>Small</b>	20%	33%	17%	<b>70%</b>
<b>Medium</b>	10%	-	3%	<b>13%</b>
<b>TOTAL</b>	<b>47%</b>	<b>33%</b>	<b>20%</b>	<b>100%</b>

Rotary Club. With their cooperation, cluster enterprises can benefit from economies of scale and reduce their administrative or transportation costs. They were also able to forge cheap call charges or provide group health and catastrophic care insurance with local corporate hospitals covering in total approximately 3500 workers.

- **Kalady:** In case of the rice milling cluster, the industry organised to provide relief effort disasters such as the Tsunami or Cikkengunya fever epidemic. Other actions noted were provided through District & State Rice Millers Association, although no quantifiable data was obtained, despite substantial publicity in the local press.
- **Ludhiana:** Medium size units appear to be most active in collective ESR activities, contributing in terms of volume mostly towards their own caste, the Jain, constitute most garment factories owners. Contribution towards the Jain hospital and Vijayanand diagnostic centre at Ludhiana, both charitable institutions run by Jain community, took the majority of their monetary contributions.

**Table 31: Individual versus Collective ESR contributions in Ludhiana**

	Individual	Collective
<b>Sub-contractors</b>	99.3%	0.7%
<b>Small size units</b>	93.2%	6.8%
<b>Medium size units</b>	99.0%	1.0%

- **Jalandhar:** The type of collective activities performed by the MSMEs at various levels depends on their financial strength. Micro enterprises, to the most part financial weak, centre their activities mainly on their nearby community, relatives and their religious faith. On the other hand small and medium level enterprise, despite a small percentage contributions of 0.01% of their turnover, in monetary volume afford more collective ESR activities, and focus on giving back to society, religious sentiments, occasionally seeking positive opinion in doing good or even fame.
- **Ecuador:** In the textile and garment cluster the external ESR as reported above, particularly focussing on social wellbeing, education, environment and health, entailed activities which align with the jointly developed citywide strategic development plan; once endorsed it mobilised cooperative actions between cluster enterprises, the local government and chamber of commerce. With this in mind we can deduce that 69% of all external ESR actives were collective, summing up to combined contributions of USD 21,376.
- **Senegal:** In the handicraft cluster the survey identified the potential of collective actions, yet no information on collective action was provided. We can therefore assume that no collective action in terms of ESR was ever taken.

**Table 32: Collective ESR contributions versus individual in in Jalandhar**

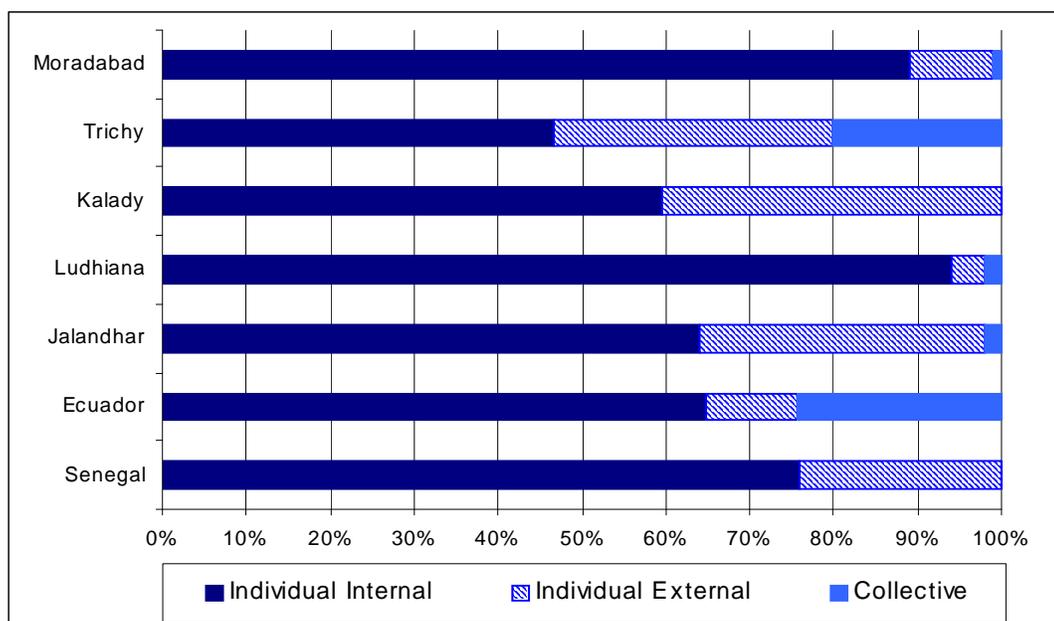
	Individual in %	Collective in %
<b>Micro</b>	99.83%	0.17%
<b>Small size units</b>	98.80%	1.20%
<b>Medium size units</b>	98.34%	1.66%

### 3.4 Preference in Behaviour

Interviewed clusters SMEs focus predominantly on individual and internal ESR activities where they also contribute most of their resources. For numerous reasons collective ESR is rare, and in selecting partners SMEs predominantly choose religious originations.

Socially responsible behaviour, through the eyes of an entrepreneur is intrinsically inward looking, where most expenditures are directed towards the labour welfare. External ESR implemented individually, as discussed above focuses on charity donations and only takes between 4% and

**Graph 17: ESR expenditures by category**



Note: Quantitative values for collective ESR in Kalady were not provided.

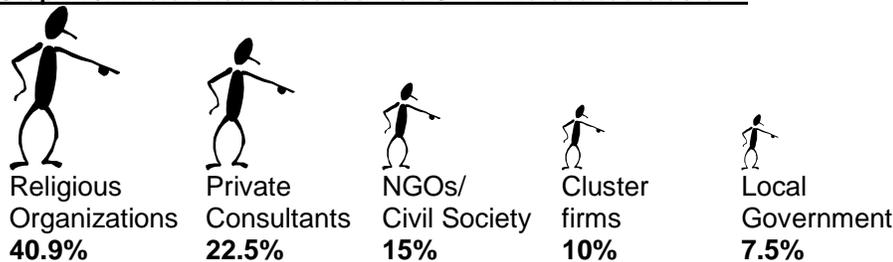
40% of the ESR budget. Clearly the environment in which the enterprises operate, prevalence of potential partners and existing trust between enterprises, influence the collective ESR agenda as we elaborate in each cluster.

During the survey enterprises were asked to list their partner preferences, who they would consider collaborating with on any future ESR activities, the following results emerged.

### **Moradabad Brassparts**

Around 50% of the firms from Moradabad cluster accepted that they were involved in some or the other kind of collective initiative. Within this group, while the exporters' community showed some appreciation towards the services rendered by the non-profits or civil society organizations, the manufacturers and the household units were largely contributing towards religious organizations. Preference for private consultants was mainly expressed by the exporting enterprises, who have been contracted in the past to conduct factory audit specialized services.

**Graph 18: Preference for collective ESR in Moradabad cluster<sup>17</sup>**

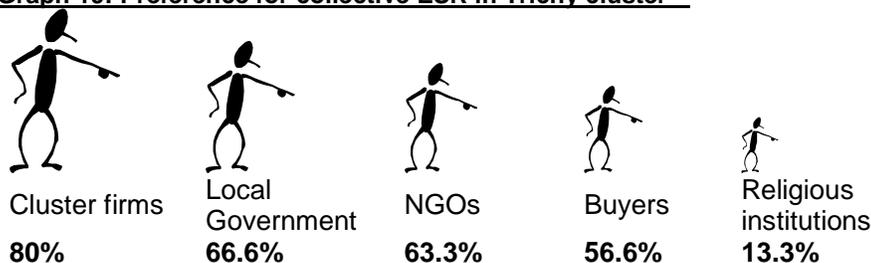


Success story of collaboration has been realized by a group of exporters in the cluster, who jointly formed a hospital trust, which is till today providing services to the local community. The main reasons given by those who did not like to partner with others or preferred one entity to the other, was either 'lack of trust' or the belief that civil society organizations are only after the businessman's money.

### **Trichy Engineering Fabrication**

The data from the Trichy cluster showed a high degree of keenness in collective action. Many entrepreneurs were found to be members in social clubs i.e. Lions and Rotary, and even if they personally didn't have time to actively involve in these, while their family members, usually wives, would.

**Graph 19: Preference for collective ESR in Trichy cluster<sup>18</sup>**



Most importantly Trichy cluster displays many examples of successful collaborations in business operations, which is also reflected by the 20% budgetary contribution, displayed in Graph 17. Positive examples simultaneously indicate presence of trust among cluster firms, evident in above preference table, to work with each other. However, till now collaborations for social initiatives have been very sporadic and only informal in nature.

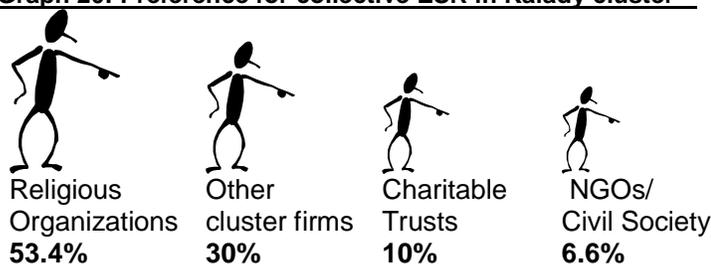
<sup>17</sup> Percentage is calculated taking the total number of responses received to this question as the base number (multiple options were permitted).

<sup>18</sup> At interviewer's discretion, multiple options were permitted.

### Kalady Rice Milling

The Kalady cluster too shows an inclination towards collective ESR. In fact 66.6% of the respondents said that they would like to work collaboratively. However, barring some donations for 'tsunami' affected areas, and to victims of an epidemic fever, there was nothing on record to show that the cluster firms ever practiced any collective ESR. Most of the respondents have shown affinity towards religious organisations.

**Graph 20: Preference for collective ESR in Kalady cluster<sup>19</sup>**

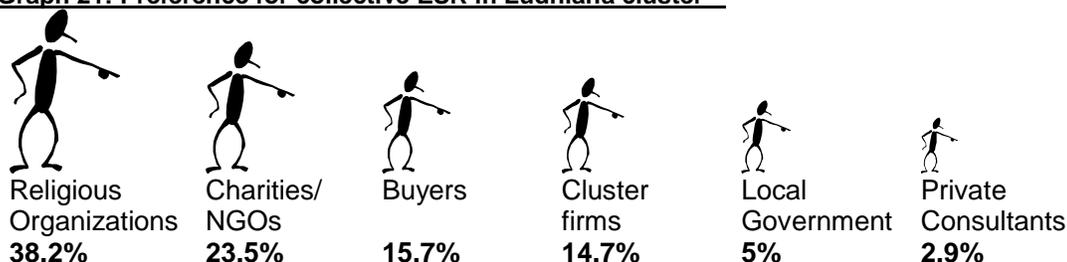


Despite the absence of concrete examples, about 20 millers (67%) have stated that they support collective ESR as it has a wider reach and can cover more people. Only 7% have said that they prefer to do individual ESR, since collective initiatives suffer from lack of consent in identifying the common activity that would be of interest to all.

### Ludhiana knitwear cluster

In Ludhiana, it was observed that lack of trust and lack of partnerships seems to be the two main reasons for not getting involved with external agencies. However, the NGOs social outreach and technical expertise were well appreciated by the respondents. Moreover, collective ESR initiatives are strongly being focused on contributing to their respective religious institutions.

**Graph 21: Preference for collective ESR in Ludhiana cluster<sup>20</sup>**



One distinct feature of this cluster was the prevalence of a couple of charitable trusts that were owned and managed by individual mill owners themselves; this is where we notice the highest contribution in terms of percentage of turnover. The local government scored very low on 'trust' charts and thus was not even considered as a partner in developmental works. However, the church and the church run societies were the most favoured of all and most of the donations were routed through them. At the same time religious sentiments barred the entrepreneurs from disclosing the amount of charity that they shelled out to the beneficiaries.

### Jalandhar Sports Goods Cluster

In case of the Jalandhar sports goods cluster, the experiences of the UNIDO team and observations of the consultant concluded that due to historical and cultural reasons, strong social cohesion is present in the cluster today. These aspects came into play each time there was interest generated in the cluster by internal or external agencies to take up collective initiatives, from donations to social charities, humanitarian relief to formal projects of child labour rehabilitation.

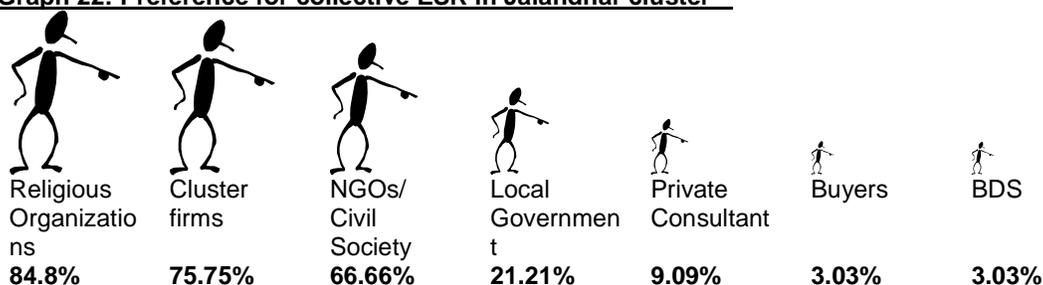
Overall the cluster firms here felt that the presence of civil society organizations is an important factor in implementing their ESR activities, main helpful reasons being the sharing of resources, knowledge and expertise. There is indeed a long list of collective initiatives, while some of these

<sup>19</sup> At interviewer's discretion, single choice was permitted.

<sup>20</sup> Percentage is calculated taking the total number of responses received to this question as the base number (multiple options were permitted).

are initiated and fostered by the industry; many have also been a result of UNIDO interventions. The preference chart for the cluster gave the following picture:

**Graph 22: Preference for collective ESR in Jalandhar cluster<sup>21</sup>**

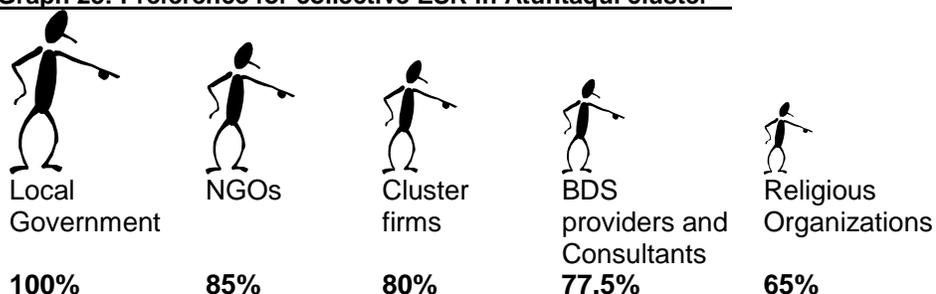


Most of the collective activities in the cluster are centred around community, family and religious faiths, however the example of best practice the industry has set, is an NGO to rehabilitate child labour. The presence of a large number of civil society organizations has had positive effect on the contributions made in the form of cash, goods and time spent on collective ESR activities. It has been estimated that the 32 firms studied here, have spent around Rs. 78.29 lacs (approx. USD 200,000) on these activities, which is approximately 0.70 % of their combined turnover.

### **Textile and garment cluster in Atuntaqui, Ecuador**

Enterprises in the cluster of Atuntaqui cooperated successfully throughout the cluster project and continue to do so with all types of enterprises, NGOs and BDS providers. Most interestingly the local government scores the highest, undoubtedly due to the mayor's leadership who has noticeably contributed toward local development and simultaneously gaining trust from the private sector.

**Graph 23: Preference for collective ESR in Atuntaqui cluster<sup>22</sup>**



The mayor of Atuntaqui, holds many roles in the local community, he is also the president of the Chamber of Commerce, respected businessman and owner of a leading enterprise in the cluster. His multi-role is perceived positively and has had affirmative impact on government's image as a strong development partner; at the same time due to his personal integrity no conflicts of interest arose. His engagement which so far had a positive development impact benefiting the business environment for SMEs and the community is perceived as a warranty for the future. Religions Organizations, though central in the day-to-day life of community, scored lowest and are considered unimportant economic development partners.

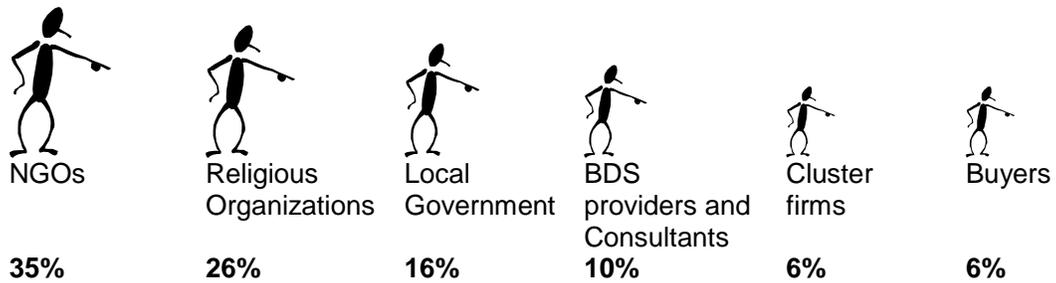
### **Senegal handicraft cluster**

In Senegal the MSEs perceive collaboration efforts with other NGOs favourably listing some potential options with known organisations such as World Food Programme, Doctors without Borders and Caritas. Religious Organizations due to ever-presence in the community are highly regarded as potential partners, such as ACOMA, a weaving workshop initiated by a missionary priest, which offers employment to émigrés and extends assistance to their families. Partnering with them may appears opportune, due to their important social visibility, nevertheless still yet does not happen since mutual objectives can no be established.

<sup>21</sup> At interviewer's discretion, multiple options were permitted.

<sup>22</sup> At interviewer's discretion, multiple options were permitted.

**Graph 24: Preference for collective ESR with Senegalese MSEs<sup>23</sup>**



Survey revealed that support institutions are considered important by 65% of the MSEs, yet not essential for the enhancement of ESR activities. The above statistics depicts only the potential of collaboration, and since no joint project could be sighted, 72% of MSEs admitted that since organization public or private have other objectives and do not share similar working style, thus making joint action cumbersome.

<sup>23</sup> Percentage is calculated taking the total number of responses received to this question as the base number (multiple options were permitted).

## 4 Survey Findings

The study lets us derive findings that cut across the seven clusters, and allows us to view interrelationships that impact the enterprises' internal, external and collective ESR activity.

### 4.1 Enterprises' economic size and ESR activity

**Absolute monetary contribution towards ESR tends to increase with the size of the enterprise. However as percentage of turnover/investments, the larger the enterprise the smaller its contribution towards ESR, essentially pegged below 1% of turnover.**

Across most clusters the ESR contributions are utilised pronominally on enterprise internal activities. Without differentiating between what types of activities undertaken we can observe that the financial spending on ESR increases with the size of the enterprise. However average spending in terms percentage of turnover or investments, shows a reverse trend, since it is highest with the micro enterprises.

Such reverse correlation is clearly evident with overall internal ESR spending, where the micro enterprises contribute between 1% and 6.2%, while the medium sized counterparts' contributions falls mostly below 1%, and stretches between 0.021% and 2.4%. This is true with most clusters except Ludhiana, where the percentile contribution for internal ESR increases with the enterprise size. This peculiarity, ever so slight, might reflect recent increase in contributions the cluster faces in compliance related expenditures.

Reverse correlation manifests itself with external ESR, where the smallest MSE in the clusters contribute a largest percentage of their turnover on external activities. Noteworthy is the dimensions of the contributions, which rises to significant volumes from 0.5% even up to 7.9%. These contributions are predominantly charity donations, targeting religious organisations that

reflect the closeness and responsibility MSEs feel towards their community. They also mostly take the form of in-kind and time donations, rather than money.

**Table 34: Internal ESR contributions – comparison**

	<b>INTERNAL</b> (% of turnover – capitalisation)	
	<b>Smallest MSEs</b>	<b>Largest SMEs</b>
<b>Moradabad</b>	1.1% - 6.2%	0.5% - 0.8%
<b>Trichy</b>	1.92%	0.88%
<b>Kalady</b>	1%	0.021%
<b>Ludhiana</b>	0.78%	1.02%
<b>Jalandhar</b>	3.69%	0.443%
<b>Ecuador</b>	1.18%	0.94%
<b>Senegal</b>	3.3% - 6.1%	0.4% – 2.4%

**Table 35: External ESR contributions – comparison**

	<b>EXTERNAL</b> (% of turnover – capitalisation)	
	<b>Smallest MSEs</b>	<b>Largest SMEs</b>
<b>Moradabad</b>	0.5% – 2.3%	0.01%- 0.09%
<b>Trichy</b>	7.9%	0.1%
<b>Kalady</b>	0.75%	0.027%
<b>Ludhiana</b>	0.9%	0.039%
<b>Jalandhar</b>	7.82%	0.14%
<b>Ecuador</b>	1.18%	0.94%
<b>Senegal</b>	1.0% - 2.1%	1.4%

## 4.2 Type of market ESR activity

Markets' and more so buyers' impose pressure on suppliers, which impacts the internal ESR activities. Regardless of markets' demands, some clusters developed their own approach, and prove that an ESR agenda does not have to be imposed to be advantageous.

Industry norms for each market and the positions of the enterprise within the value chain have an impact on the type of ESR enterprises or clusters undertake. Outside pressures will impact mainly exporters, who are in direct contact with international buyers and who must conform to their criteria in order to maintain the desired supplier status. Such may include quality, environmental and social compliance certifications, all impacting the enterprise's internal ESR actions.

Following up the value chain the small firms and household producers, are mainly suppliers to exporters or the local markets, and their ESR agenda is determined by internal factors such as labour welfare and health and safety issues, while the exporters cater to many more ESR categories.

It is noteworthy that the market should have had an impact on the external ESR agenda of firms particularly in reference to the environment. Strangely enough the survey was conducted in seriously polluting sectors of Moradabad, Trichy and Kalady, where the seriousness of the issue did not translate into significant external ESR environment spending.

The trickle-down of best practices to smaller producers, when instilled via buyer pressure, is negligible. Therefore in clusters where ESR agenda has been adopted, in the absence of external market pressure, then we can refer to the initiative as home-grown. In such case the cluster might have higher ownership of the process, and thus can guarantee its sustainability.

- **Moradabad:** At least 70% of the brass city enterprises supply to international buyers, therefore most are aware of ISO and other certification standards. Conforming to buyers' code of conduct has impacted their internal contributions towards labour welfare and in-factory environmental upgrades. However the remaining 30% are mostly small manufacturers that have no contact to international buyers and remain oblivious to such pressures.
- **Trichy:** As mentioned before, two enterprises supplying larger multi-national firms are revamping their internal systems, only in response to demands set by their buyers. Though such measure did not trickle down the value chain, since other cluster firms rarely invested in education. Observation expressed in the survey that if the local buyer, i.e. BHEL, would adopt similar codes of compliance the situation in the entire cluster would improve.
- **Kalady:** Only 20% of the rice grown in the cluster is exported, mainly by firms that hold an ISO certification, which 20% do. In addition industry norms impose expenditures on labour welfare, and require enterprises to provide food and accommodation for 50% of the workforce, who are predominantly migrant workers.
- **Ludhiana:** Overall 70% of the production is sold on the local market; therefore international brands have limited impact on the ESR agenda. Nevertheless the 97% contribution in labour welfare by the medium size exporters was influenced by the buyers' social audits to ensure proper employee benefit payments. External observer remarked that over the years exporters' compliance performance has significantly improved.
- **Jalandhar:** Approximately 25% of the enterprises export and so international buyers have limited influence over the ESR cluster activities, which are mainly home-grown. Prevailing child labour issue in the cluster has mobilised leader from medium size units, who also export to improve the products' value chain. Today initiatives such as SGFI, have created ownership of many cluster-wide ESR initiatives.
- **Ecuador:** Only 8% of the enterprise engaged in exportation, and very few were confronted with buyers' code of conduct requirements. However the cluster's ESR agenda originated during the UNIDO project and was adopted by numerous stakeholders. Today ESR agenda is developing further, mainly due to continuous responsible action followed by many stakeholders within the cluster.
- **Senegal:** Exportation of handcrafted products extends less than 2%. Except one cooperative which not only exports, subscribes to an active ESR-agenda, but also attracts

donor funding for rural development projects, making us question if the extent of their activity was self-raised or stimulated by donor funding.

### 4.3 Return on Investment of ESR activity

**Internal ESR seeks to improve business performance or to lock-in orders with international buyers. External charity driven ESR activities seeks emotional returns.**

Across all clusters entrepreneurs rarely associated ESR activities as investments that seek direct business returns, yet when analysed further, they were clearly apparent. Internal ESR spending focuses on labour welfare, with which the entrepreneurs seek a better relationship and increased loyalty. The return from such investment is in form of greater sense of duty, improved work quality as well as increased labour retentions in some clusters. External ESR due to the high charity contributions across many of the clusters seeks predominantly personal emotional return of “having done good”. Only few entrepreneurs consciously seek to position themselves as community leaders or strengthen the positioning of their company or brand.

To the most part ESR activities are implemented discreetly, we call them silent, particularly when the entrepreneur does not seek directly relatable business benefit in return. The overview from the cluster survey is the following:

- **Moradabad:** Enterprises consciously invest in worker welfare not only to strengthen the employer-worker relationship, but also gain long-term benefits such as worker loyalty, that directly impact the growth of their business. In terms on external charitable contributions are driven by religious obligations towards the community, and are not linked to business returns, rather reflect personal values.
- **Trichy:** Most activities internal as well as external have not been implemented to yield quick returns. Predominantly contributions towards employee healthcare of 13.1% for medium and 5.8% of turnover for small enterprises are considered long-term investments. Significant investments on training by two major enterprises aims to confirm with imposed code of conducts, thus seeking security for further orders.
- **Kalady:** Substantial investment in food and accommodation to workers, intends to secure worker's output, guarantee continuous worker responsibility and thus contribute towards long-term growth of the business.
- **Ludhiana:** Activities are selected according to their quick return potential. Internal ESR focuses on activities that secure orders from local and global buyers, offering immediate business return benefit. And external ESR are driven by socio-economic and entrepreneurs' personal reasons. Even though the actions are not advertised, entrepreneurs gain visibility and secure a leadership position in the community.
- **Jalandhar:** Internal ESR, predominantly on labour welfare, is motivated by a moral duty as well to secure worker commitment and quality of workmanship. Many community-driven external ESR, have not been implemented with a business return in mind, yet are driven by personal value satisfaction. Enterprises could have contributed to the same via institutions, yielding quick returns and even tax rebates, which they have chosen not to do.
- **Ecuador:** Worker skills upgrading was implemented to assure employee retention, to improve productivity and the bottom-line of their company. Community driven activities were vastly collective and stimulated by government's long-term strategy to improve quality of life in Atuntaqui, thus positioning the city as an attractive tourist destination.
- **Senegal:** Entrepreneurs cited that both internal and external investments were not economically driven. However some were implemented on demand by donors and other times to please community demands, overall seeking a greater reward than initially considered.

#### 4.4 Level of trust impacts cooperation between enterprises and ESR activity

Level of trust facilitates the implementation of external and collective ESR activities. Trust alone does not guarantee effective implementation of set activities or directly translate into mutual benefits.

Cooperation between enterprises and local social institutions is conditioned on the existence of trust, therefore in the surveyed clusters where successful collective initiatives were launched, trust was present. Some surveys indicated that trust builds on successful precedent cases, and cannot be enforced from the outside. However when initiating collective actions, entrepreneurs' endorsement is required from the very beginning, so that successful outcome can be guaranteed. Trust was only incontestable with religious organisation, validating the preference for such organisations as the ideal development partner in 4 out of 7 clusters. On the other hand lack of trust was often used an argument not to partner or engage with any external organisation.

In greater detail each survey brought forth the following findings:

- **Moradabad:** Level of trust between religious institutions and household and small units is very high, making collective ESR contributions towards Madrasas and Mosques a common occurrence. Exporters are actively involved in a wide range of initiatives mainly through their own caste welfare communities, also targeting root causes of child labour and making healthcare facilities accessible.
- **Trichy:** One finds trust between SMEs, which appear to have developed because of successful business consortia in the past. This existing trust level has lead to industry-wide initiatives on improving health and safety standards in the cluster. In fact, just mooted of the idea and a bit of handholding was needed by UNIDO-CDP personnel to develop them into real-time projects.
- **Kalady:** Besides the contributions to charity of 0.75% of revenue, the lowest for all clusters, no significant collective activities emerge. Absence of impact with previous interventions only increased mistrust with local social organisations, thus weighing negatively on their collective agenda.
- **Ludhiana:** Past UNIDO-CDP intervention in the cluster has raised awareness for the environment, particularly towards water and energy efficient production processes. Presently the cluster shows only collective ESR initiatives focused on contributing via religious institutions such as Jain temples and Jain hospital, constituting only 0.011% of revenue. Lack of trust has been utilised to justify the absence of partnerships with external agencies.
- **Jalandhar:** With UNIDO cluster intervention the firms embraced collective initiatives and helped expand their programme on rehabilitation of child labour, introduce skills development programmes, increase prevalence of community health drives or develop joint projects for home-based workers to improve products' value chains. Due to positive impact of such joint efforts between enterprises and local organisations, trust reigns high.
- **Ecuador:** Past UNIDO project initiated enterprise cooperation through joint projects, which brought about quick results, and aimed at building trust. Positive spillover prompted subsequent multi-stakeholder projects, with chamber of commerce or the local government, now perceived as the preferential strategic developmental partner. Even though contribution to charities remains high at 1.1%, enterprises do not perceive them as optimal economic development partners.
- **Senegal:** Since no collective projects were reported, enterprises seem to work in isolation, leaving little room to develop trust. Enterprises did indicate preference in working with NGOs, though listed many conditions before any action can take place.

## 4.5 Entrepreneurial leadership and ESR activity

Entrepreneurial leadership determines the quantum and sustainability of ESR in a cluster, and entrepreneurs' personal values drive most of the internal, external and collective ESR activities.

The leaders are key in fortifying the awareness of social responsibility and through their exemplary actions can instil a culture of ethical business principles. They may emerge from within business networks, clusters firms, SME association, local regulatory authorities, yet most importantly their motivation to act ethically and improve the present situation is vested in their personal value-set. These entrepreneurial leaders invest time and resources for the benefit of the community, are instrumental in sharing information and most of all seek to involve others. Because of their engagement they become community role-models and can instigate the common opinion justifying mutual benefits from ESR actions.

The survey provided ample examples in line with the above observation. To the most part entrepreneurial leaders are exporters, who solely determine the ESR direction, while with smaller units and households, the employees determine the ESR agenda.

- **Moradabad:** Particularly exporters are the key drivers of ESR activities. They contributed to ASK Senkalb schools or the establishment of Vivekanan Trust and Hospital; which was initially established by 21 exporters and subsequently adjacent specialised clinic and a school was financed by individual entrepreneurs, thus confirming the positive spillover effect.
- **Trichy:** Many ESR-active enterprises hold leadership positions in various social organisations, and through their actions they have changed industry norms, in respect to gender equality or set standards, which cluster enterprises are forced to replicate. Another initiative pioneered by such leaders was a free canteen facility for workers, which forced other cluster enterprises to emulate.
- **Kalady:** Leaders spearheaded foundations and philanthropic acts, which have helped the community in improving schooling, matrimonial or community health systems. However they continue to act alone, confirmed in the survey when no qualitative data on collective engagement was obtained. In this case entrepreneurial leadership represented by a few could not kindle substantive collective cluster dynamic.
- **Ludhiana:** Predominantly medium sized units emerge as the leaders of implementing social responsibility in the factories. Individual external ESR initiatives have benefited the community through the establishment of a cancer research and a health diagnostic centre. Though no collective initiative which can serve the larger ESR interest has emerged, partially because no cluster-wide ethical leadership initiative exists.
- **Jalandhar:** Numerous ethical leaders are actively involved in improving social welfare and charity initiatives. Some of them act alone, putting their business, family or foundation name in the forefront, yet in parallel they support common initiatives and NGOs. The double prong approach has improved on the effectiveness of these initiatives and at the same time gained them special respect as individuals with integrity.
- **Ecuador:** Initially industry leaders joint business networks, which determined many of the internal and some external ESR initiatives. These leaders remained instrumental in defining social wellbeing initiatives, and at the same time were guided by the Atuntaqui's mayor. Not surprising that through his leadership involvement, government's credibility was strengthened.
- **Senegal:** The leader who emerged was not an individual but a cooperative, which sets an example for the whole handicraft sector. Villageois de Ndem, a role model for integrative rural development from engaging economically numerous villages and jointly constructing schools, health clinics, water wells and irrigation systems, as well as strengthening the agricultural production of the community. Demand to replicate the approach has encouraged cooperative's representatives to promote such development model during conferences and trade shows.

## 4.6 Sustainability of ESR activity

**SMEs will continue their ESR activities, despite any negative changes in their company performance. Essentially SMEs will not abandon their ESR agenda, but will change scope, scale and form of implementation.**

Many ESR activities are closely linked to the economic performance of the enterprise. When questioned if they would continue ESR spending despite their enterprise incurring a loss, they practically unanimously express a strong 'yes'. Reason being, that many entrepreneurs expressed sense of obligation towards their employees and community, and through their contributions attempt to compensate for external failures. Yet to what extend will the intensity of contributions, even to charities, withstands a test of time is unclear, since it was not tested in the survey.

However we have the evidence that contributions type and their scale will dually change, and vary from enterprise to enterprise even within one cluster.

- **Moradabad:** 75% of the exporters, 52.9% of the small manufacturers and 71.4% of the house hold unit owners shared that they continue their ESR activities in spite of running in losses. They have done so in the past and despite losses paid salaries on time, provided advanced to workers and continued provided health care through their own network of doctors.
- **Trichy:** No quantifiable data is available, yet all unit holders responded that they shall certainly take care of their workers welfare as their first preference even in the event of a loss in earnings.
- **Kalady:** Obtained responses where hypothetical, since none admitted ever confronting a loss. Yet 73% confirmed that they will continue some form of ESR work despite a loss situation, because of their commitments to orphanages, educational assistance and church sponsored activities.
- **Ludhiana:** 100% of the surveyed firms affirmed that they predominately continue their religious contributions even when their businesses run in loss. Other ESR activities since they are liked to economic performance will be tamed. Significant number of entrepreneurs confirmed having done so in the past
- **Jalandhar:** 100% of the medium units and 90% of both micro and small units said that they will continue ESR activity despite incurring a loss. The logic given, that as savvy business people they are compensate their income from another source, and therefore claimed that their giving will not be affected, since their personal values, religious faith and social behaviour will remain unchanged. Based on performance figures for the last three years the firms did not incur a significant loss, therefore the answers remain hypothetical.
- **Ecuador:** 100% of entrepreneurs indicated that they would conduct ESR activities and contribute financially regardless of the financial situation of the company, with the justification, that "there are always people who are less fortunate who need assistance". Entrepreneurs elaborated that they will continue their contribution mainly to charities, development of the social environment, and improvement of employee relations. Still these answers remain mainly hypothetical since enterprises did not face financial decline in the last three years.
- **Senegal:** For most of the MSEs their time and in-kind contributions will continue. As community members they feel directly responsible and will be unable to deny help. Since enterprises were vague about their financial performance, they also could not quote a time when their contributions continued during difficult of times.

## 4.7 Prevalence of social institutions on ESR activity

The prevalence of social institutions facilitates the implementation of collective ESR activities. Quantity alone is a weak measure of activity, however true effect is expressed by the occurrence of collective ESR.

Prevalence of various types of institutions in the cluster has an impact on the ESR activity of the cluster. We observe that NGOs and CSOs due to their experience and established mechanisms tend to facilitate implementation of external and collective ESR. Religious organisations are often the most widespread of the social institutions, however as they benefit from charity donations, they rarely impact collective ESR engagement.

Bearing this in mind, it is the collective engagement that becomes a clearer impactor of ESR activity. Similarly is lack of trust a clear indicator for smallest out of the enterprises, for non engagement with social institutions, proving that quantum of NGOs is not a gage of ESR activity. In all the interviewed clusters we hear various arguments, which are summarised hereafter:

- **Moradabad:** Prevalence of various types of institutions in the cluster, have facilitated choices who to partner with. Exporter community expressed appreciation for the NGO/civil society institutions for their technical know-how, skills and outreach. Household units, driven more by religious sentiments express close affection toward religious organisation. The extent to which they collective ESR depends on level of awareness, exposure, engagement and capacity to contribute.
- **Trichy:** Many institutions and potential partners exist, though tremendous workload prohibits entrepreneurs to divert from their main activities. Scale of ESR activity depends mainly on trust level, efficacy, sustainability and business benefit.
- **Kalady:** Entrepreneur indicated the presence of external agencies, which would be able to coordinate or lead various ESR activities, yet would need prompting to do so. The high contribution towards charity is facilitated by the high concentration of religious organisations, through which philanthropic giving is channelled.
- **Ludhiana:** While social institutions are present the lacking collective engagement in the cluster, leaves them idle. Philanthropic spending of all enterprises in the cluster is channelled through trusts and religious institutions relying on established caste networks.
- **Jalandhar:** Entrepreneurs acknowledge the importance of CSOs in the implementation of ESR, valuing particularly their knowledge, ground-level expertise, wide-ranging capabilities, focused commitment and already established systems. Their occurrence has an impact on the invested cash, goods or time, yet the best measurement is in terms of investment patterns towards internal and external ESR.
- **Ecuador:** Social institutions exist in the cluster, however practically none are active in the ESR field. However the activity in the cluster was mainly driven by the local government or via inter-firm activities and stimulated by the established business networks.
- **Senegal:** Existent institutions did not emerge as potential implementation partners and did not influence the scope or size of the activities.

## 5 Conclusion

The survey findings across all clusters revealed SMEs' engagement in ESR-type activities; in particular, the qualitative data imply that SMEs tend to behave similarly regardless of geographic zone. However, the data alone tell us just one side of the story. As UNIDO has been present in these clusters for a substantial amount of time and has gathered tacit knowledge on how these SMEs behave, we are in the position to interpret the findings within the broader context of the cluster or industrial sector. Our concluding findings are presented here in this following chapter.

### 5.1 Who is doing what

All SMEs contribute some of their earnings to ESR-type activities. Their size and position in the value chain shape the chosen activities and the volume of their financial contributions. Following the size delineation applied in the report, it is the **medium-sized enterprises** that in some clusters are represented by exporters and producers who sell to diverse markets. They diversify their spending across all categories, and despite their relatively high turnover, their contributions are trivial, averaging 0.7% of turnover on internal and 0.2% on external types of activities. These enterprises are exposed to codes of conduct that may impact their ESR contributions. Due to their economic strength, they have been able to establish trusts that perform many charitable ESR activities on their behalf. Their significant reputation in the cluster also affords them the negotiating power to seek partners for ESR implementation; therefore, they tend to engage more in collaborative efforts.

**Small enterprises** represent the manufacturers, which mainly supply other firms within the cluster. Their dependency on the local buyer is also reflected in their ESR practices, which often mirror those of their buyers. The volume of their contributions is significantly less than that of medium-sized enterprises; yet in terms of percentage of turnover, contributions appear to rise to 0.8% for internal and 0.4% for external types of activities. The diversity of activities is often limited to two or three categories. The small units implement ESR activities on their own, with an increase of in-kind and time contribution, as compared with medium-sized firms.

Household units, representing the **micro enterprises**, are subcontractors and may only perform a few production steps of highly manual and labour intensive procedures. These micro enterprises are often widespread throughout the cluster, remaining invisible; but play an indispensable economic role within the community. Beyond serving as income providers, these micro units contribute a substantial percentage of turnover towards labour welfare and health, averaging at 1.9% for internal and 3.2% for external types of activities, the latter aimed predominantly at charity for external ESR.

### 5.2 Doing Good

SMEs recognise ESR as being predominantly an **internal activity** for the enterprise, where they also invest on average 71% of the total amount<sup>24</sup> secured for all ESR activities. Driven by the entrepreneur, the ESR activities focus mainly on labour welfare and healthcare, and reflect the entrepreneurs' emotional satisfaction by extending their responsibility beyond being mere employment providers. On the contrary to what they expressed in the interviews, these SMEs **do not meet the minimum requirements** in terms of labour, health and safety, employee education or the environment. Therefore, the amounts we quote, especially for labour welfare, include contributions that would have been considered standard practice and not over and above ESR contributions.

Only in some clusters and some enterprises that had to **conform to buyers' codes of conduct** did the expenditures for certain categories augment the total expenditure drastically. For example, Trichy's expenditures on the training of just two enterprises were Rs. 15 million, two times the total internal ESR expenditure, while the rest of the enterprises hardly engaged in labour force education at all. In case of Ludhiana, SMEs contributed 97% of the total Rs. 10 million ESR contributions on labour welfare alone; such a sizeable percentage marks recent labour welfare upgrades that enterprises required in order to secure orders with international buyers.

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<sup>24</sup> Refer to Graph 17, on page 40 for exact presentation

External and collective ESR contributions focus on community driven activities, and differ only in their implementation, with combined expenditures averaging only 29% (ranging between 6% and 53%) of the total ESR budget. These contributions exemplify the **feel good factor**, in form of charitable donations focusing on the community, via established NGOs or trusts that fulfil a social developmental role, as is the case in Jalandhar with SGFI, or with ASK schools in Moradabad.

The survey requested information on entrepreneurs' actions and did not request to reflect on the hypothetical question regarding **what they should be doing** and in what capacity. In general we obtained factual information that was often incomplete and could not be verified, clearly pointing towards the fact that SMEs do not keep exact records. Focusing only on the obvious actions, labour welfare and charity, SMEs across all clusters have disengaged themselves from contributing towards the environment, while often being the main polluters. Lacking external pressures, strong controlling mechanisms and government control, SMEs are practically authorized to remain passive in this area.

### 5.3 Limited collective engagement

**Collective ESR engagement is negligible**, ranging between 0.002% and 0.02% of turnover, and for the most part is exemplified by collaboration with religious organisations. In fact, four of the seven clusters indicate a preference for collaboration predominantly with religious organisations. Such a preference has been mainly expressed by the smallest enterprises, which otherwise shy away from collaborations, citing a lack of trust as their reason for doing so. Clearly, it is also due their size and lack of resources that they cannot design possible collaborative projects. Medium-sized enterprises tend to assess the benefits of collaboration strategically, and proactively approach NGOs and CSOs.

The presence of potential partners in a cluster facilitates the design and implementation of ESR interventions, however their design requires leadership and quite often also an impetus from the outside. **Exemplary partnership** can be found in Jalandhar, where the incidence of child labour paved the way for numerous rehabilitation projects, at the same time uniting industry leaders. Spearheaded by Sports Goods Foundation of India (SGFI), the projects support schools and children's recreational facilities, engages in health drives in the neighbouring community and initiates reforestation campaigns, all with the intention of keeping the integrity of the value chain so that it remains compliant and the image of the industry remains clean. Surprisingly, these collective efforts, rich in activities, have attracted only 2% of the combined ESR budget from the companies interviewed. In this instance, quantitative findings do not express the true engagement of all cluster enterprises, since only a small fraction came forth to partake in the survey.

Many times ESR activities try to repair economic imperfections, and often penetrate into areas of government's jurisdiction. Particularly when **leveraging with the government**, enterprises voluntarily extend their role, taking on additional burdens. Not surprisingly, in most clusters, the local government did not even emerge in the top three preferences for collective action. The exception to this trend is Ecuador, where the mayor of the town of Atuntaqui became a visible proponent for collective community development, spearheading the design of the citywide strategic development plan and encouraging multi-stakeholder involvement. This case does not have to remain the exception, though better understanding of the social, economic and leadership role on the part of government may be required.

### 5.4 Historical impact

The road to the engagement in ESR activities or their integration into regular business practices varies from cluster to cluster. There appears to be no single formula that can be universally applied. It is true that **outside pressures raises awareness** of the problems at hand; however, thereafter the responsibility to act remains in the hands of the enterprises, institutions, stakeholders or the government. Equally varied is our definition of outside pressure. We have seen that buyers may put pressure on enterprises to improve a process or increase investment in training, as was the case in Trichy, in order to secure future orders. In other instances, child labour, and the fear that widespread negative press would lead to order recalls, became a stimulus for action. In other instances also donors coerced enterprises to ESR action. The resolution of these challenges may not necessarily take on the shape of ESR activities, nor may the enterprises have long-term effects in mind.

**Markets specificities** introduce issues that have an impact on ESR actions. At the same time we saw that ESR actions varied slightly between clusters, indicating that the sector had little bearing on the type of each action. Since the survey asked entrepreneurs to highlight the present situation and did not reference the past, we can only observe that despite continuous ESR actions persistent issues remain. Moradabad's health hazardous environment did not augment the ESR health related spending, nor with Trichy spending on environment displays substantive size, or the actions show that the enterprises committed to continuous resolution of the main issues.

Only in Ecuador we observe how **external economic changes** impacted the business environment. Introduction of the dollar as the local currency rendered the enterprises' products too expensive, thus locking themselves out of established export markets. Forced to take action and prompted by UNIDO project the enterprises slowly embraced working together via networks and focused on the development of local markets, improve product cost through joint sourcing of inputs and technical equipment. Within such dynamic environment, ESR actions emerged, always keeping the business improvement in mind. Best example being, when employee training and provision of supplementary health services was introduced, only to retain labour and reduce their turnover.

## 5.5 Continuous dynamic

**Entrepreneurial Leadership**, irrelevant of size of firm, appears to create the most impact on the implementation of the ESR type and scale. Leadership of individual enterprises does not automatically translate into collective actions, as in case of Ludhiana where external ESR is implemented by trusts closely linked to individual enterprises. We also observed that the prevalence of social institutions had practically no impact on the scale of ESR activities leaving us to reflect again that it is entrepreneurs' discretion, which actions are implemented and with whom.

Enterprises are knowledgeable about the cost of the extra engagement, and more often than not translate their contributions in respect to return on investment. To the most part via engagement in ESR activities they seek substantial **economic and emotional returns**. Particularly for external ESR the emotional return reins highest, allowing us to conclude that enterprises choose "feel good" over the "project good" factor. Confirmed by the fact that nearly 90% choose to keep their actions silent and seek no publicity for them.

**Sustainability of ESR** action links the emotional return expressed by the entrepreneurs with their personal drive that determines the scope and size of their actions. Outside pressures only provide an impetus for action, but do not guarantee the sustainability of the intervention. Yet in many clusters we observe that the appropriation of the problem by entrepreneurs leads towards their continuous engagement and thus taming of the problem.

## 5.6 Leanings for the future

Ultimately the survey made us understand that SMEs view ESR differently as their corporate counterparts, who today implement **CSR as a risk-reduction measure**, to guarantee ethical business practices for their shareholders, and contribute towards social engagement for the benefit of stakeholders and to protect the brand image.

SMEs foremost see **ESR as a moral obligation** towards is employees and the larger community. Only once such responsibilities is fulfilled SMEs progressively see that ESR offers guidelines to operate their business ethically and profitably, facilitating adherence with government regulations. Significant gain in reputation, follows next, and establishes the enterprise as a leader vis-à-vis the local stakeholders, lastly SMEs identify that ESR once implemented and followed can guarantee sustainability.

We have observed that a lot of "**goodness**" mobilises SMEs to engage beyond just conducting business. Many activities put into practice, particular in respect to labour are intrinsic and implemented without business gain in mind. While their overall contributions are remarkable, with shyness they disclose their actions, and rarely advertise or seek benefits within.

From these leanings we can derive a **potential methodology** of how to enable SMEs to adopt and appropriate socially responsible business practices beyond what they are doing today. Most

importantly one has to identify the actions that have been already taken, and create awareness between SMEs, indicating of the extent and prevalence of such actions. It is only through the appreciation of the status quo, that scaling-up can be achieved. In gradually following these basic steps a sustainable development model can be established:

- Compliance with the law, an indispensable next step should not be perceived as ESR, but be the non-negotiable bare minimum of what SMEs have to do. However compliance with the law is not exclusively SMEs responsibility, and has to be stimulated via support to local governments and NGOs to create such enabling environment. Implementation of the regulatory system, via regular monitoring and enforcement of transparent penalties in case of non-compliance is essential.
- Thereafter compliance with the terms specified in the ILO convention in respect to labour have to be fulfilled. These regulations carry weight in terms of social impact beyond the individual enterprise. Once fully in place additional charitable or philanthropic contributions can become supplementary to the bottom line in terms of social compliance.
- Throughout the up-scaling process, regular communication carrying the message of positive reinforcement has to become automatic, so that SMEs can gain confidence in their approach. However SMEs acting on their own will bring upon limited impact. Therefore multi-stakeholder initiatives, private-public or supply chain driven vertical partnerships all can help create a more substantial impact within the sector and cluster.

## 6 ANNEXURE

### 6.1 Contributing consultants and agencies

(In alphabetical order)

**Association for Stimulating Know-how (ASK):** ASK is a non profit voluntary organization established in 1992, committed to the cause of community based development among the economically deprived and socially marginalized sectors of the Indian society. ASK has been working in Moradabad since 1998 with brassware artisan communities, subcontractors exporters, Government and civil society on a addressing social, labour and health and safety issues in this Industry. ASK is actively engaged in many national and international research and collaborations with special focus on corporate social responsibility.

**Maria del Carmen BURNEO**, project manger of the cluster project in Ecuador. Her engagement with the assistance of various technical capacity building experts has stimulated enterprises in forming business networks and thus achieving substantial benefits to their businesses and their community at large. The survey and sensitization workshop, realized By Ms Burneo, informed the cluster enterprises of the importance in developing ethical business environment. The dynamism within the cluster of Atuntaqui and Ambato can be ascribed to her enthusiastic engagement and productive collaboration with all stakeholders.

**Dr. K. KRISHNADAS**, is a lecturer since 1987 at the Sree Sankara College, Kalady and holds a doctorate from Mahatma Gandhi University, Kottayam in the topic of "Agro-processing in Kerala" with special focus on rice mills in Kalady. He has presented many papers in national seminars and authored numerous articles in Malayalam and English Indian dailies and magazines.

**Navdeep Singh Mehram, National Expert, UNIDO-CDP & CSR Project in India.** He is a Science graduate with MBA in International Business & Human Resource Management having an experience of 10 years in Footwear, Sports Goods & Garments industry. Mr. Mehram is a SA8000 certified lead auditor, and has primarily been working on industry wide issues like Child Labour, Product Innovation, Process Systematization, Policy & Advocacy, Research & Development, Liaison with Stakeholders i.e. Government Agencies, Technical Institutions, Service Providers, and Industry Associations. During this period he has organised and attended about 50 seminars, workshops, BSMS, trade exhibitions related changing market scenarios on legal, political, social & economic aspects of the trade. At present, in the UNIDO-CDP & CSR Project, he is involved and coordinating field research initiatives, policy/advocacy/ dissemination research and other initiatives. He is the core member of UNIDO project team in India.

**Kunnathoor R. RAJENDRAN**, is a lawyer and a human resource development expert and has extensively worked in both public and private sector for over three decades in India, Libya and Kuwait. He is presently the General Manager of Kalady Rice Mill Consortium and provides advisory services to cluster activities of other consortiums through Kerala Federation of Industrial clusters as its Officer on special duty.

**Sudhir RANA**, National Expert, UNIDO-CDP & CSR Project at Sports Goods MSME Cluster, Jalandhar, Punjab, India. He is an Electrical Engineer by profession with more than twenty years of experience in the field of technical education and administration. He is on loan to UNIDO from Department of Technical Education, Govt. of Haryana, India. He has worked as Lecturer in Electrical Engg., Head of Electrical Engg, Department, Principal of Technical Institutes and Joint Director in the Department of Technical Education Haryana, India. As Joint Director, he has handled number of important assignments relating to administration, planning, development with World Bank funded projects. He has attended number of conferences and workshops on varied issues at national level. In the UNIDO-CDP & CSR Project, he is involved and coordinating field research initiatives, policy/advocacy/ dissemination research and other initiatives. He is the core member of project team in India.

**Ahmed SADJI**, expert in MSEs' commercial activities concentrating on the handcraft and textile sector. His engagement with UNIDO extended over various projects such as; benchmarking study of the Senegalese Textile and Garment sector and mapping of artisanal producers and cataloguing their products to better understand the criteria in reaching export markets. Mr. Sadji is currently developing SME export consortia, while focusing on Fair-Trade market access. His engagement with CSR survey complements his contribution towards the development of the Senegalese private sector and their ethical business practices.

**Jasjit SINGH SODHI**, holds an MBA with specialization in HR. He is an expert in Human Resource and Social Compliance having 20 years of experience of working in various industrial sectors like Garments, Leathers, Sports Goods, Hand tools, Pharmaceuticals, Cycle part etc. He has wide experience of working with the SMEs based in industrial clusters. And is a certified lead auditor for ISO9000, ISO14000, SA8000, WRAP, FLA & BSCI. Mr. SODHI is currently working as Lead Auditor with ALGI-USA representing North India Zone for conducting certifications, code of conduct audits, SA8000, WRAP BSCI audits at supplier facilities. He has undertaken many consultative and capacity building projects in the area of HR, 5S, TQM, Social Compliance Certifications.

**Venkatesan RAMASWAMY**, Director, PQS Services, Tiruchirappalli, India, is a senior industrial engineer with more than forty years of experience in the fabrication industry. He retired from a senior management position in Bharat Heavy Electricals Limited, Trichy and is presently engaged in management education and consultancy. He was the Chairman, National Safety Council (Tamil Nadu) for 5 years and is a lead auditor for OHSAS18000 systems. Mr. RAMASWAMY has presented 18 papers in national seminars and XIII<sup>th</sup> World Congress on 'Occupational Safety and Health', and has trained more than 36,000 persons in Productivity, Quality, and Safety etc.

**Velayuthan Sankaranarayana VELAYUDAN**, worked with a public sector bank in senior positions for 35 years. An enthusiastic Social Activist involved with consumer rights, wild life and environment, he is now a free lance consultant, a public relations officer for a non-profit orphanage and a yoga/meditation teacher and motivational speaker imparting training to the state government police personnel.

## 6.2 Detailed listing of Internal ESR activities

The following list of **internal ESR** activities, offer a glimpse into the exact activities enterprises undertook in their respective categories.

**Table 22: Internal ESR activities**

	<b>Trichy</b>	<b>Moradabad</b>	<b>Kalady</b>	<b>Ludhiana</b>	<b>Jalandhar</b>	<b>Ecuador</b>	<b>Senegal</b>
<b>Labour welfare</b>	<ul style="list-style-type: none"> <li>- Food Subsidy &amp; also free food on special days.</li> <li>- Tea and snacks during working hours</li> <li>- RO (Reverse Osmosis) water plant for drinking water</li> <li>- Free rice bags to employees as an attendance incentive</li> <li>- Uniform to Employees</li> <li>- Advance to workers for personal events like wedding or death</li> <li>- Employees children education funding</li> </ul>	<ul style="list-style-type: none"> <li>- Fair and timely payment to workers</li> <li>- Provision of monetary aids when in need</li> <li>- Provision of Festival bonus</li> <li>- Monetary help for weddings</li> <li>- Interest free advances</li> <li>- Satisfactory work bonus</li> <li>- Providing free refreshments (tea and snacks usually twice a day)</li> </ul>	<ul style="list-style-type: none"> <li>- Free food &amp; accommodation to all residential employees.</li> <li>- Festival allowances at least two times in a year.</li> <li>- Subsidized rice for mill employees.</li> <li>- Interest free short term loans &amp; advances.</li> </ul>	<ul style="list-style-type: none"> <li>- Interest free loans and advances to the workers</li> <li>- Fair and timely payment to workers</li> <li>- Usually better than average wage rate in the state</li> <li>- Gifts/bonus payment on festivals</li> <li>- Providing tea twice a day</li> <li>Monetary assistance for weddings</li> <li>- Overtime payments provided</li> </ul>	<ul style="list-style-type: none"> <li>-Salary to workers on time.</li> <li>-Interest free advances to workers</li> <li>-To provide tea twice a day to all workers.</li> <li>-Gift on marriages in workers families</li> <li>-Gift of goods and sweets to workers on festivals at least two times in a year.</li> <li>-Some time clothes etc are provided to workers.</li> <li>-Cluster firm members/ friend circle join together to marry poor worker's daughters.</li> <li>-Payment of increments to workers on regular basis</li> <li>-Punctuality award to workers and a get together on monthly basis.</li> <li>-Special working hours for women workers.</li> <li>- Transparency is maintained in workers pay negotiations</li> </ul>	<ul style="list-style-type: none"> <li>- Financial saving schemes, with reduced interest rates and employer contributions</li> <li>- Payment of social security fees</li> <li>- Continuous improvement of working environment good lighting, spacious working environment</li> <li>- Protective gear, masks and gloves</li> <li>- Emergency loans to workers</li> </ul>	<ul style="list-style-type: none"> <li>- Financial contributions or loans for family event such as marriages, baptisms, funerals of close family members of workers and members</li> <li>- Housing assistance</li> <li>- Provision of board and lodging for members of cooperatives</li> <li>- Provide protective masks to workers</li> </ul>
	<p><u>For some exclusive medium sized firms:</u></p> <ul style="list-style-type: none"> <li>- Gender sensitivity towards women employees</li> <li>- Free in-house canteen facility</li> </ul>	<p><u>For some exporters only:</u></p> <ul style="list-style-type: none"> <li>- All provisions of factories law are abided e.g.: standing orders, appointment letters, minimum wage payment</li> <li>- All policies are displayed</li> <li>- Provision of provident fund for core employees</li> </ul>	<p><u>For most exporters</u></p> <ul style="list-style-type: none"> <li>- Approved standing orders and thus approved disciplinary practices</li> <li>- Appointment letters to workers are given in local language.</li> <li>- All provisions of the Factories Act are displayed.</li> <li>- Provident fund and gratuity for core employees</li> <li>- Statutory bonus and leave encashment</li> <li>- Fixed working timings</li> <li>- Job security</li> </ul>				

<b>Health care</b>	<ul style="list-style-type: none"> <li>- Health club for workers</li> <li>- Medical Insurance for workers</li> <li>- Training in health &amp; safety- <u>only by a few</u></li> </ul>	<ul style="list-style-type: none"> <li>- Provide medical help when needed in the form of monetary support and referral to hospitals</li> <li>- No work overload:</li> <li>- Use of protective mask (although minimal)</li> </ul> <p><u>For some exporters only:</u></p> <ul style="list-style-type: none"> <li>- A dedicated hospital by the industry association,</li> <li>- In house dispensary,</li> <li>- First aid boxes,</li> <li>- Maternity benefits.</li> <li>- Provision of medical claim for employees and their families</li> <li>- Provision of basic safety measures</li> </ul>	<ul style="list-style-type: none"> <li>- Provide free medical care for any eventualities in the work place.</li> </ul>	<ul style="list-style-type: none"> <li>- Monetary assistance for medical care as and when asked for.</li> <li>- Housekeeping &amp; cleanliness of the production area.</li> <li>- Provision of adequate lighting in the facility.</li> </ul> <p><u>For most exporters:</u></p> <ul style="list-style-type: none"> <li>- Provision of personal protective equipments like gloves, masks and mesh iron gloves for cutters.</li> <li>- Medical room in bigger facilities</li> <li>- First aid boxes/fire extinguishers provided</li> </ul>	<ul style="list-style-type: none"> <li>- Neat and clean toilets for workers</li> <li>- Provision of cold and clean water.</li> <li>- Provision of first aid kit/treatment</li> <li>- Counselling for alcohol and drug addition to workers</li> <li>- Financial aid to workers if serious ill.</li> <li>- Chemicals being used in factory are human and environment friendly</li> <li>- Provide cream for hands to avoid continuously working effect due to stitching</li> <li>- Provision of separate toilets facilities for ladies workers.</li> <li>- Medical assistance is provided to workers as and when required.</li> </ul>	<ul style="list-style-type: none"> <li>- Voluntary health care contributions (70% employer – 30% employee)</li> <li>- Coverage of doctors' visits</li> <li>- Medical attention when necessary for staff and families</li> <li>- Support the purchase of medicines and medical products</li> <li>- maternity protection</li> </ul>	<ul style="list-style-type: none"> <li>- Partial or complete coverage of health costs of workers or members</li> </ul>
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Environment		<u>For exporters only:</u> - Training in hazardous chemicals, - Fool proof system for air and water pollutants control, - Fire drills - Recycling of all products	- Providing safe environment by taking anti-pollution steps & setting up waste treatment plants	- No objection certificates from Pollution control departments (air, water and fire) - Effluent treatment plants. - MSDS (Material safety data sheets) of chemicals stored. - Waste disposal policy.	- Airy working environment for workers - Wood based industries are installing wood dust collector in their factory - Arrangement of proper lighting and stand by power in the factory. - Maintenance of lawns in front and back yard of factory where ever applicable. - Disposal of solid waste at appropriate place on a regular basis.	- recycling of materials - Donation of recyclable materials to the elderly	- Business model based on making handcrafted products from recycled materials; aluminium beverage cans, tin wrappers or car parts
Training & Development	<u>Some exclusive firms</u> - Only a couple of firms investing in training and development of employees.	- Participated in a training by an ILO project to improve work efficiency  <u>Exporters only</u> - Staff orientation program		Training to workers on: - first aid, - fire fighting, - Use of PPE's	- Two to three months Training of fresh workers with pay. - If needed workers may be sent to outside agency for machine training - On an average, all exporters provide at least three month paid training to new workers	- Training in skills upgrading - Transparency – some enterprises discuss financial decisions with employees	- Granting traineeships to young blind men from the local centre for the blind - Training to workers on; hygiene particularly in handling food products - Business training for all employees

### 6.3 Detailed listing of External ESR activities

The following list of **external ESR** activities, offer a glimpse into the exact activities enterprises undertook in their respective categories.

**Table 23: External ESR activities (limited to the local community)**

	<b>Trichy</b>	<b>Moradabad</b>	<b>Kalady</b>	<b>Ludhiana</b>	<b>Jalandhar</b>	<b>Ecuador</b>	<b>Senegal</b>
<b>Health</b>	<ul style="list-style-type: none"> <li>- Eye check up camps</li> <li>- Free spectacles in eye camps</li> <li>- Blood donation camps</li> </ul>	<ul style="list-style-type: none"> <li>- Charity to hospitals OPDs and dispensaries</li> <li>- Organize health camps and HIV/AIDs education</li> <li>- Medical aid to poor</li> </ul>	<ul style="list-style-type: none"> <li>- Cash aid to poor patients, who cannot afford to pay for medical care</li> </ul>	<ul style="list-style-type: none"> <li>- Donations to hospitals. SME owners have establishes their own hospital trust to serve the needy.</li> <li>- Medical camps for workers communities</li> <li>- Help workers in case their family members are ill</li> </ul>	<ul style="list-style-type: none"> <li>- Donations to hospitals or free medical aids</li> <li>- Donation to home for disabled</li> <li>- Some entrepreneurs have set up their own hospital trusts</li> </ul>	<ul style="list-style-type: none"> <li>- Negotiated medical rates for enterprises in the cluster</li> <li>- With the local government developed health service plan for the cluster SMEs and civil servants. Implemented in 2006.</li> </ul>	<ul style="list-style-type: none"> <li>- In-kind donation of equipment to hospitals</li> <li>- Construction of a health clinic</li> <li>- Construction of a maternity ward</li> </ul>
<b>Education</b>	<ul style="list-style-type: none"> <li>- Supporting the Indian Training Institute (ITI) for skill development to address the shortage of labour</li> <li>- Adopting schools run by non-profits</li> <li>- Donate in construction of small schools' infrastructure</li> <li>- Donating books</li> <li>- School fees for children in the community</li> </ul>	<ul style="list-style-type: none"> <li>- Aid in setting up and running of 'Madarsas' (primary schools based on Muslim teachings)</li> <li>- Contribution to NGO run schools</li> <li>- Engaging with NGOs to sponsor child education</li> <li>- Felicitation of retired school teachers</li> </ul>	<ul style="list-style-type: none"> <li>- Education fund assistance to the bright and needy</li> </ul>	<ul style="list-style-type: none"> <li>- Scholarships or monetary assistance to needy students in the community</li> </ul>	<ul style="list-style-type: none"> <li>- Funding school fee and books to workers children</li> <li>- Few firms donate sports goods to state level sports team, colleges and school teams and also sponsor sports tournaments.</li> <li>- Set up charitable schools</li> <li>- Support poor needy children by way of school fees, books, uniform or stationary etc.</li> </ul>	<ul style="list-style-type: none"> <li>- Contribution for local sport clubs and events</li> <li>- Contributed towards the improvement of: Business Service Unit of the Catholic University and training courses offered by the Craft Center Teodoro Wolf</li> <li>- Contributed in the development of the local territorial economic development and marketing plan</li> </ul>	<ul style="list-style-type: none"> <li>- Construction of a nursery elementary school</li> <li>- construction of a school canteen for 250 pupils between 6-12 in age</li> <li>- Canteen running costs covered by proceeds form training</li> <li>- Canteen receives in-kind donations from parents</li> <li>- Installation of a cyber café</li> </ul>

Environment	<ul style="list-style-type: none"> <li>- Tree Plantation Programme</li> </ul>			<ul style="list-style-type: none"> <li>- Managing disposal of garbage around the factory,</li> <li>- Chemical waste treatments</li> </ul>	<p>Exploring new substitutes for wood based products</p> <p>Some of the cluster firms are involved with NGOs involved in tree plantation activities.</p> <p>Some of the cluster firm contribute in terms of donations or tree guards or plants in Municipality Run Initiative for 'Green Jalandhar'.</p>		<ul style="list-style-type: none"> <li>- Garbage cleanup campaigns</li> <li>- Installation water supply systems for Ndem and 2 other villages</li> <li>- Drilling at Ngaga Sérère</li> <li>- Installation of an irrigated farming area of 1,5 ha</li> <li>- Construction of storage room for agricultural products</li> </ul>
Charities	<ul style="list-style-type: none"> <li>- Support homes for physically/mentally challenged</li> <li>- Distribute food to children in blind schools</li> <li>- Assistance to leprosy eradication programme</li> <li>- Contribution to old age home</li> <li>- Donation to tsunami victims</li> <li>- Donation for temple chariot construction</li> <li>- Construction of 'Farmer's market', where farmers can sell their produce directly to consumers. by a medium size entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>- Zakaat and Fitra</li> <li>- Donating blankets in winters</li> <li>- Free water service in summers,</li> <li>- Monetary help to poor for marriages</li> <li>- Donation to mosques for construction activities etc</li> <li>- Donating to Masjid for external community work</li> </ul>	<ul style="list-style-type: none"> <li>- Donation to church related activities.</li> <li>- Monetary help to poor parents for marriage of their daughters</li> <li>- Donations to homes for visually challenged.</li> <li>- Donations to homes for physically &amp; mentally challenged persons.</li> <li>- Providing homes for the homeless</li> <li>- Donations in cash &amp; kind to orphanages &amp; old age homes.</li> <li>- Donations to Balabhavans (homes for destitute children)</li> <li>- Helping rehabilitation of families in distress</li> </ul>	<ul style="list-style-type: none"> <li>- Donations to religious bodies and socio-religious events like 'Chabblis' (Free distribution of sweet water during summers) and 'langars' i.e. free community feasts</li> <li>- Financial help to worker in event of personal tragedies like accident or death.</li> <li>- Help in marriage of needy girls</li> <li>- Caste based community social works</li> </ul>	<ul style="list-style-type: none"> <li>-Organise Langar's / Chabbils out side their factory premises on religious festivals</li> <li>-Donation in the form of materials and goods to religious and social institutions</li> <li>- Donation to religious persons on festivals</li> <li>- Donation to homes for disabled people</li> <li>- Helping people for pilgrimage trips</li> <li>- Donation for religious events like 'Ramlila', 'Janamasthami' etc</li> <li>- Donation to NGOs like Lions Club, Rotary Club etc</li> <li>- Donate towards natural calamities</li> <li>- Participate in community marriages</li> </ul>	<ul style="list-style-type: none"> <li>- Donation to hospices, children's homes</li> <li>- Sponsorship and participation in local cultural events</li> </ul>	<ul style="list-style-type: none"> <li>- Contribution to sport and cultural centers in the district (ASC)</li> <li>- support of leisure and vacation activities for children</li> <li>- In-kind donations, predominantly distribution of food to the needy</li> <li>- Hospital visits</li> </ul>

## 6.4 Questionnaire – English

Questionnaire for SME interviews on  
Enterprise Social Responsibility (ESR) practices

<b>Date of Visit</b>	
<b>Name of Interviewer</b>	

I - Basic Enterprise Information							
1.	Name of <b>Enterprise</b>						
2.	Name of <b>Respondent</b>						
3.	Respondent's <b>Position:</b>	Owner	Partner	Manager	Accountant	Owner's son	Other:
4.	<b>Location/Address</b>						
	Whenever available. Identify premises - no exact address is necessary						
5.	Main <b>Product(s)</b>						
6.	Main <b>markets</b>	Local	Regional	Export	Specify:		
7.	Estimated Total <b>Investment</b>						
	Exclude land/buildings rented by the enterprise. Include inventory and working capital.						
8.	<b>Form of Organisation</b>	Sole proprietorship	Partnership	Limited company	Other		
9.	Is this a <b>family enterprise?</b>	Yes			No		
10.	<b>Year</b> business was established:						
11.	<b>Employee Profile</b>  Indicate in % Or list	1.	Men			Women	
		2.	Disabled				
		3.	Minorities				
		4.	Religious Groups				
		5.	Language Groups				
		6.	Nationality				
		7.	Race/Caste				
		12.	Does your enterprise have any <b>certifications</b> :				
	ISO Which ones	SA8000	Fair-Trade	Any other Please name:			
13.	Does your enterprise follow any <b>code of conduct for compliance</b> issues:			NO	YES Please name:		
14.	Describe recent <b>Business Growth</b> (Present v/s 3 years ago)						
	Please note down the main points, using key phrases or terms.						
	1.	<b>Turnover - Orders</b> (Size and/or amount)					
	2.	<b>Employment level</b> (Number of employees or % increase)					
	3.	<b>Investment</b> Capital Investment, Machinery, Technology					
	4.	<b>Vision and objectives</b>					

II - Enterprise's SR baseline				
15.	What does <b>Social Responsibility</b> mean to you/your business? Select the one or more that apply from the following list:			
	1.	Monitoring system imposed by our clients	2. Useful guideline for responsible governance	
	3.	Farce, introduced by foreign companies	4. Guideline for environmental and social issues	
	5.	Better goodwill helping to strengthen contacts	6. New term for what we have always been doing	
	7.	Taking care of labour	8. Accreditation/Certification systems,	
	9.	Involving in community welfare	10 Requirement for working with global brands	
16.	Have you heard of <b>silent SR</b> ?	YES	NO	
17.	What kind of <b>ESR issues</b> exist in your <b>industry</b> / this <b>cluster</b> ?			
18.	Social Responsibility can be <b>implemented internally</b> (within the enterprise and for direct benefit to the enterprise stakeholders) and <b>externally</b> (towards community, where the enterprise may or may not be the direct beneficiary).			
	Which do you feel is <b>more important for your business</b> ?			
	<b>Why?</b>			
19.	Who is/are the <b>main driver(s)</b> of your ESR initiatives? (More than one are accepted)			
	Global Buyers	You (enterprise owner)	Employees	Community
20.	Has any <b>outside external agency forced/motivated you</b> to implement ESR initiatives?	YES	NO	
21.	What <b>arguments the external agency uses to make it attractive</b> for your business to implement ESR? Select the ones that apply. (More than one are accepted)			
	Preferred supplier	Threat of negative publicity	Support by the external agency	Government support
	Funding for technology upgrade	Larger contract volume and long agreement duration	Community welfare	Attractive image in the media

### III - Individual Internal ESR

<b>22. What are the main activities that he/she undertakes</b> in terms of the following:					
<b>(Note:</b> Ask if there are any written policies or statements for any below?)					
<b>1.</b>	<b>Labour Welfare</b> Contractual transparency, Fair pay negotiations, Working conditions...etc.				
<b>2.</b>	<b>Health Care</b> Health assistance, HIV training Maternity assistance, Alcohol/Drug addiction...etc.				
<b>3.</b>	<b>Environment – Cleaner production</b> Handling hazardous materials, Chemical waste treatment, Air pollutants (internal)...etc.				
<b>4.</b>	<b>Training &amp; Development</b> Training offered to staff, Advancement possibilities ...etc.				
<b>5.</b>	<b>Transparency</b> Financial transparency, Communication of Investments ...etc.				
<b>23. How much resource does he/she spend</b> on each of the above activities?					
If no absolute figures available then try to get an estimated figure as percentage of turnover or of profits.					
	<b>Activity</b>	<b>Frequency</b>	<b>Cash resources</b> (Amount or percentage of profits)	<b>In- kind resource</b> (Any facilities or tools provided)	<b>Time (hrs)</b> (Management or owners' time/month)
<b>1.</b>		How often			
		Since when			
<b>2.</b>		How often			
		Since when			
<b>3.</b>		How often			
		Since when			
<b>4.</b>		How often			
		Since when			
<b>5.</b>		How often			
		Since when			

## IV - Individual External ESR

**24. What are the main activities that he/she undertakes** in terms of the following:

(Note: Ask if there are any written policies or statements for any below?)

- |           |   |  |
|-----------|---|--|
| <b>1.</b> | <b>Charities - Welfare</b><br>NGOs active in daily life of the community, Religious groups ...etc.            |  |
| <b>2.</b> | <b>Health related initiatives</b><br>Hospitals, Health clinics HIV education...etc.                           |  |
| <b>3.</b> | <b>Environment in the Community</b><br>Local water supply, garbage disposal, chemical waste treatment ...etc. |  |
| <b>4.</b> | <b>Education initiatives</b><br>Schools, Training centres, recreation centres, sport facilities ...etc.       |  |
| <b>5.</b> | <b>Social environment</b><br>Cultural institutions, Recreational events, Tourism,...etc.                      |  |

**25. How much resource does he/she spend on each of the above activities?**

If no absolute figures available then try to get an estimated figure as percentage of turnover or of profits.

	Activity	Frequency	Cash resources (Amount or percentage of profits)	In- kind resource (Any facilities or tools provided)	Time (hrs) (Management or owners' time/month)
<b>1.</b>		How often			
		Since when			
<b>2.</b>		How often			
		Since when			
<b>3.</b>		How often			
		Since when			
<b>4.</b>		How often			
		Since when			
<b>5.</b>		How often			

V - Individual ESR - Motivators				
26.	Have you undertaken any activities listed above <b>even when the enterprise was running a loss?</b>			
	YES	NO	Explain:	
27.	Which <b>activities</b> have you continued, <b>despite enterprises difficult financial situation?</b>			
	1.			
	2.			
	3.			
28.	<b>Reasons why the internal and external ESR activities were NOT implemented?</b>			
	Not important for business growth/performance	No pressure to do it	Too expensive to implement	Diverts too much from main activity
	Nobody else is doing anything, why should my enterprise!	Lack of resources time and capital	Do not understand the issues	Too complex
	Lack of efficient social institutions to assist	Return on Investment is too low	Beneficiaries didn't feel it is important	There is no visible gain
29.	Which outside factors influence your <b>motivation</b> to engage in <b>internal and external ESR</b> . Select statements that fit best.			
	Security of future orders	Attractive region for business and tourism	Trained staff, works better and longer	Worker security and health
	Values and Religious sensitivities	Respect for each other	Community integration/ harmonisation	Transparency attracts more investments
	Gain production efficiencies	Respect for community life	Buyer pressure	Pressure from authorities
	Clean environment Pollutant free production	Financial gain	Personal values	Other Explain
30.	<b>Explain in greater detail ONE</b> of the reasons you selected above:			

## VI - Collective ESR and Impact

31.	List any collective <b>ESR</b> activities you may have undertaken.			
	<b>Activity</b>	<b>List of any collective activity</b>	<b>Best practise you know</b>	
	<b>Labour Welfare</b> Contractual transparency, Fair pay negotiations, Working conditions...etc.			
	<b>Health Care</b> Health assistance, HIV training Maternity assistance, Alcohol/Drug addiction...etc.			
	<b>Environment – Cleaner production</b> Handling hazardous materials, Chemical waste treatment, Air pollutants (internal)...etc.			
	<b>Training &amp; Development</b> Training offered to staff, Advancement possibilities ...etc.			
	<b>Transparency</b> Financial transparency, Communication of Investments ...etc.			
	<b>Charities - Welfare</b> NGOs active in daily life of the community, Religious groups ...etc.			
	<b>Health related initiatives</b> Hospitals, Health clinics HIV education...etc.			
	<b>Environment in the Community</b> Local water supply, garbage disposal, chemical waste treatment ...etc.			
	<b>Education initiatives</b> Schools, Training centres, recreation centres, sport facilities ...etc.			
<b>Social environment</b> Cultural institutions, Recreational events, Tourism ...etc.				
32.	Would you/ Do you work with <b>ANY other enterprise or institution</b> in a <b>collective ESR initiative</b> ? List names of institutions listed by the interviewee			
	<b>Enterprise in Network</b>	YES	NO	WHO?
	<b>Enterprise in Cluster</b>	YES	NO	WHO?
	<b>Supplier or Suppliers Group</b>	YES	NO	WHO?
	<b>Buyer or Buyers Group</b>	YES	NO	WHO?
	<b>BDS providers/Private Consultants</b>	YES	NO	WHO?

	<b>NGO/Charities/Civil Society</b>	YES	NO	WHO?
	<b>Local Government</b>	YES	NO	WHO?
	<b>Religious organisations</b>	YES	NO	WHO?
<b>33.</b>	From the above mentioned institutions, list <b>three most important ones</b> to you and indicate:			
	<b>Name</b>	<b>Trust level</b> (High, Productive, Functioning, Inadequate)	<b>Efficacy</b> (High, Productive, Functioning, Inadequate)	<b>Sustainability</b> (High, Productive, Functioning, Inadequate)
				<b>Business Benefit</b> (High, Productive, Functioning, Inadequate)
<b>34.</b>	How <b>important</b> are the institutions you have mentioned above in implementing ESR activities?			
	Indispensable	Important	Meaningful	Useless
<b>35.</b>	Institutions listed above <b>help implement ESR</b> activities.			
	How do they make implementation easier?			
	Which skills do they have that you do not?			
<b>36.</b>	Do you prefer <b>individual ESR</b> or <b>collective ESR</b> initiatives? <b>Why?</b>			
<b>37.</b>	Have you responded to <b>needs expressed by the community?</b> Have you taken action -			
	ALONE	With OTHERS	WHO?	
<b>38.</b>	What is the <b>individual vs. collective ESR</b> break-up in percentage of total resources spent by the enterprise?			
		<b>Cash resources</b> (Amount or percentage of profits)	<b>In- kind resource</b> (Any facilities or tools provided)	<b>Time (hrs)</b> (Management or owners' time/month)
	<b>Individual ESR</b>			
	<b>Collective ESR</b>			

39.	Do you prefer to communicate to the outside public on your <b>ESR</b> initiatives?			
40.	<b>Reasons why you do NOT get involved with an external agency for ESR initiatives?</b>			
	They monopolise all	No impact on <u>my</u> business performance	Too complicated to administer	Divert too much from <u>my</u> main activity
	External agencies are not serious partners	They set unrealistic expectations	External agencies want only my money	Too time consuming
	Lack of partnership	No trust	Difference in objectives. Working style didn't match	They promote only their own name
41.	<b>Explain in greater detail ONE</b> of the reasons you selected above!			
42.	<b>What impact did your ESR activities (individual or collective) have</b> on the cluster?			
	Enterprise Cooperation			
	Growth/Improvement (economic and social)			
	Health and Environmental issues			
	Attractiveness of the cluster (investments, tourism, visibility)			

VII – Interviewers Comments	
43.	Comments regarding the <b>validity</b> of the obtained information.
44.	Comments regarding the <b>honesty</b> expressed by the interviewee in his/her answers.
45.	<b>Observations at the factory/workshop floor</b>
	Air pollutants/Air Ventilation
	Noise level
	Handling of heavy materials, Chemicals, hazardous substances (carrying and protective gadgets)
	Light arrangements/ source of light/ position of light/ Natural light/ Sufficient light
	Fire safety/ Fire safety equipments/ Fire exit/ clear passage and indications
	Working posture/ sitting standing positions with ergonomic point of view
	Machine guard covers/ protective gear - gloves etc wherever necessary
	First aid box/ accessibility/ medical facilities etc.
	Workplace comforts like drinking water/ Facilities/ dormitory or resting place etc.
	Electric wiring
	Environmental safety like liquid discharge/ solid waste/ gases etc...