

# Supply Chain Management in India with Reference to - CSR in Micro, Small and Medium Enterprises (MSMEs)

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**Abstract**—Little is known about MSMEs' perception of Enterprise Social Responsibility (ESR), and as on date very few researchers has been dedicated to investigating this issue. Generally, MSMEs are associated with businesses that are conducted informally, and that therefore avoid paying taxes, exploit their own labor 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 MSMEs' responsible behavior and to their contributions to labor, community and the environment. Micro Small and medium enterprises (MSMEs) 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.

India's aspiration to become a global manufacturing powerhouse and the government spotlight on 'Make in India' also compels nationwide supply chain reform, prompting several federal and state-based schemes and investment incentives. Corporate social responsibility is not a new concept in India. However, what is new is the shift in focus from making profits in meeting societal challenges including in functioning of government.

Micro, Small and Medium Enterprises (MSMEs) play a vital role for the growth of Indian economy by contributing 45% of industrial output, 40% of exports, employing 60 million people, create 1.3 million jobs every year and produce more than 8000 quality products for the Indian and international markets. MSMEs are the fountain head of several innovations in manufacturing and service sectors, the major link in the supply chain to corporate and the PSUs.

MSMEs are now exposed to greater opportunities than ever for expansion and diversification across the sectors. Indian market is growing rapidly and Indian entrepreneurs are making remarkable progress in various Industries like Manufacturing, Precision Engineering Design, Food Processing, Pharmaceutical, Textile & Garments, Retail, IT and ITES, Agro and Service sector.

The introduction of the Goods and Services Tax (GST), liberalizing foreign direct investment (FDI) rules, and increased government spending has helped spur growth in the sector.

In this paper, we will discuss India's supply chain ecosystem and emergence of new business opportunities. We also highlight how both government entities and private ventures are seeking to introduce critical efficiencies to transform the state of business supply Chain as usual. This study is aimed at conducting a thorough literature review of supply chain in India and with regard to MSMEs engagement in CSR activities. The this study critically analyses the drivers and barriers to MSMEs engagement in CSR practices, and then proposes strategies that MSMEs can adopt to effectively participate in CSR activities, and using efficient supply chain in the growth of MSME's.

**Keywords:** Supply chain management, MSME's, corporate social responsibility CSR.

## 1. INTRODUCTION

Although corporate social responsibility (CSR) has globally been recognized by both large and small businesses, little literature is currently available regarding the motivation and barriers for small and medium enterprises (MSMEs) engagement in CSR practices. Until recently, the involvement of SMEs in social activities has received little attention by both scholars and practitioners. Therefore, this study is aimed at conducting a thorough literature review with regard to SMEs engagement in CSR activities. The study critically analyses the drivers and barriers to MSMEs engagement in CSR practices, and then proposes strategies that SMEs can adopt to effectively participate in CSR activities India's supply chain network – Growing regional integration, investor confidence: The supply chain industry has a cascading impact on almost all aspects of trade and retail. As India opens its economy further, financing the improvement of this linkage sector is vital for business growth.

## **2. WHY SUPPLY CHAIN MANAGEMENT IS IMPORTANT TO MSMES:**

The main focus of SUPPLY CHAIN MANAGEMENT is to provide right product to the right customers at the right cost, right time, right quality and right quantity. Meanwhile, the short-term strategic goal of SUPPLY CHAIN MANAGEMENT is to reduce cycle time and inventory and thus increasing productivity, whereas the long-term goal is to enhance profits through market share and customer satisfaction. A modernized and efficient supply chain improves the ease of doing business, scales down the costs of manufacturing, and accelerates rural and urban consumption growth due to better market access.

A supply chain results from the efforts of organizations to produce and deliver a finished good from suppliers' supplier to customers' customer. The efforts include all activities involved in these five basic processes – plan, source, make, deliver and return, which encompass matching supply with demand, sourcing components and raw materials, producing final products, delivering to end customers and providing post-manufacturing services such as return, repair and warranty (SupplyChain Council, 2016). As defined by Mentzer et al. (2001), supply chain is a network consists of all parties involved (e.g. manufacturer, supplier, retailer, customer, etc.), directly or indirectly, in manufacturing and delivering products or services to ultimate consumers – both in upstream and downstream sides through physical distribution, flow of information and finances. A typical supply chain includes the following five stages: component/raw material suppliers, manufacturers, retailers, wholesalers/distributors and customers. These five stages are connected through flows of products, information and money. Managing a supply chain network is complex and difficult, since it involves various sub-systems, activities, relationships and operations. Therefore, an integrated supply chain framework is needed to tie a whole network together with the goal of reducing perennial supply chain challenges. SUPPLY CHAIN MANAGEMENT is one of the competitive priorities that have evolved from a one-dimensional subject with a rather narrow focus on logistics and physical aspects of material flow, into a multifaceted theory encompassing a broad range of subjects.

In the context of MSMEs, cost-effective SUPPLY CHAIN MANAGEMENT is critical for survival and growth, as purchasing cost makes up the largest share in terms of sales revenue – approximately 80%. The potential benefits include increases in customer service and responsiveness, improved supply chain communication, risk reduction, a reduction in product development cycle time processes, a reduction in duplication of inter-organizational processes, inventory reductions, and improvement in electronic trading.

Micro, Small and medium enterprises (MSMEs) are a major source of dynamism, innovation and flexibility for emerging and developing countries, as well as for the economies of the

most industrialized nations. However, the survival and growth of MSMEs can be difficult in the current competitive business environment and global marketplace. It can be a real challenge to deliver the right product and service at the most opportune time and at the lowest possible cost to the right customer. The challenge stresses the importance of managing cross-boundary relationships between business partners. For gaining a competitive advantage, supply chain management (SCM) is an effective tool to MSMEs. Therefore, this paper aims to review the tenet of SUPPLY CHAIN MANAGEMENT, its benefits and practices to MSMEs. Micro, Small and Medium Enterprises (MSMEs) are playing a very important role in Indian economy and constitute more than 98% of all firms. MSME sector provide employment for large number of population, promote entrepreneurship and accounts for development of value added products through knowledge creation and innovation.

The Union and State Governments are giving due importance to MSME sector and continuously supporting through number of schemes and programs for their sustainable development. But in the current scenario MSME sector is facing numerous problems which call for some strategic approaches for their development. Globally many nations particularly developed countries are focusing on number of strategies for MSME development. In India, Innovation, Business Incubation, Cluster Approach, Skill Development, Public Private Partnership, Social Entrepreneurship and Export Promotion are prominent among them.

As many MSMEs have unique characteristics, the features and effects of their social contribution may also be different from the large corporations. Their markets are smaller than those of larger companies. Also, the owner-managers of MSMEs face less pressure from shareholders. Since their low visibility from the media reduces the effects of their CSR investments, MSMEs' have a different approach to the stakeholders in terms of CSR. For MSMEs, the personal ethics and morals of the owner-manager have more of an influence on their CSR decisions, which means that they may be less strategic.

Until recently, infrastructural woes had a crippling effect on the supply chain network in India. Suppliers, manufacturers, and retailers had to factor in delays in the movement of goods between state borders due to complicated taxes and transport lines running over capacity, increasing overall costs.

**With the new reforms coming into play, a gradual resolution of these problems seems imminent:**

In the last three years, India's supply chain sector has seen an influx of capital, both foreign and domestic. Firms like Future Supply Solutions have raised almost US\$2 billion (Rs 130 billion) in investments from domestic and foreign channels.

The proposed hubs in Maharashtra, Gujarat, and the NCR will provide end-to-end supply chain services, such as small

processing facilities (grading and packaging) and final delivery and transport services.

Critical components of India's supply chain infrastructure as it benefits from planned government spending, easier investment rules, and various tax and fiscal incentives.

**Port connectivity in India:** India's ports handle 95 percent of the country's trade by volume, playing a key role in international supply chains. India currently permits 100 percent FDI for the construction and maintenance of ports.

**Cargo solutions:** Challenges in India's supply and distribution channels are further complicated by lacking roads and railway infrastructure.

Railway stations are often unable to cope with the large volume of goods transported. Merchandise at railway stations and factories are often left waiting for transport due to delayed turn-around times.

**Freight corridors:** The country's freight corridors, covering 15 states all over India, are set to be complete by December 2019. Currently, a train carrying cargo travels at the rate of 25 kmph; on these railway lines, trains will be able to reach speeds between 70 and 100 kmph, and will carry double the quantity of cargo. Foreign and local companies are working contractually with the government to finish the first phase of the Eastern Corridor by mid-2018. More freight corridors are planned, and offer good opportunities for large contractual collaborations.

**Warehouse development:** India allows 100 percent FDI in the development and maintenance of warehousing and storage facilities. Under the Free Trade Warehousing Zone (FTWZ) Scheme, there are several designated zones in India reserved for warehouse development.

Incentives such as duty free import of building materials and equipment for these zones are attracting investors to this sector.

**Participation from the private sector and increased government spending:** With greater participation from the private sector and increased government spending, opportunities for foreign investors in the country's supply chain are on the up. This includes the steady transformation of India's digital infrastructure as well, with federal campaigns like

#### **Digital India working to promote the growth of technology startups and enterprises**

For MSME's, possibilities in third party logistics abound, whether in the transportation of goods, new technology-based improvements to make operations lean, or in warehouse management.

Multinational firms in construction and related industries can also take advantage of investment opportunities in India's ports, roads, and warehouse development.

Foreign firms with little knowledge of the Indian landscape can benefit from partnerships with established Indian firms in the sector to make it easier to do business in the country.

With the introduction of GST, the logistics sector getting an infrastructure status, and an increase in government spending, the supply chain sector provides significant opportunities for collaboration and private sector investments. Investors and companies will now be able to avail much-needed incentives and remodel their supply chain networks, leading to a more consolidated supply chain ecosystem in the country."

**The function of MSMEs in India has hardly having an agenda on CSR:** Assistance and Support Services for Indian MSMEs through various agencies – is not talking about the CSR.

**Domestic Trade and Export Business Development:** Source and Import quality products, machinery, equipments and hi-tech products Business Matchmaking,

- Buyer-Seller Meet,
- Arrange Delegations and Missions
- Listing in SME Exchange
- Entrepreneurship Development:
- Promotion,
- Branding,
- Design,
- Development and Launch of products and services
- Quality improvements to meet global standards
- Market Survey and Research on various products and services
- Preparation of project reports and financial documents
- Set up new manufacturing units in India and abroad
- Assistance and support for revival of sick units
- Resolve Problems & Issues
- Human Resource Development and Financial Advisory Services
- Indian products and services permanent display centers in various countries
- Liaison with Government Departments & Agencies, Overseas Organizations
- Arrange study tours & visits to factories / industrial plants / trade fairs / exhibitions in India and abroad
- Assistance to represent and participate in international exhibitions, trade fairs and conferences

**The Voluntary Guidelines of Government of India – For CSR:** Can be compared, if we really follow the legal aspects of this Nation and let all of us may understand how directly or indirectly these laws are contributing positive / negative to CSR issues:

**Care for all Stakeholders:** The companies should respect the interests of, and be responsive towards all stakeholders (in one way or other - being a part of the all citizens), including shareholders, employees, customers, suppliers, project affected people, society at large etc. and create value for all of them. They should develop mechanism to actively engage with all stakeholders, inform them of inherent risks and mitigate them where they occur.

**Ethical functioning:** Their governance systems should be underpinned by Ethics, Transparency and Accountability. They should not engage in business practices that are abusive, unfair, corrupt or anti-competitive.

**Respect for Workers' Rights and Welfare of Micro, Small and Medium Enterprises (MSMEs):** GOI &MSMEs should provide a workplace environment that is safe, hygienic and humane and which upholds the dignity of employees. They should provide all employees with access to training and development of necessary skills for career advancement, on an equal and non-discriminatory basis. They should uphold the freedom of association and the effective recognition of the right to collective bargaining of labor, have an effective grievance redresses system, should not employ child or forced labor and provide and maintain equality of opportunities without any discrimination on any grounds in recruitment and during employment - studies can reveal and confirm a very poor performance in this regard.

**Respect for Human Rights as a whole of Micro, Small and Medium Enterprises (MSMEs):** GOI &MSMEs should respect human rights for all and avoid complicity with human rights abuses by them or by third party - is still a question mark.

**Respect for Environment of on country and of the globe:** GOI &MSMEs should take measures to check and prevent pollution; recycle, manage and reduce waste, should manage natural resources in a sustainable manner and ensure optimal use of resources like land and water, should proactively respond to the challenges of climate change by adopting cleaner production methods, promoting efficient use of energy and environment friendly technologies - have not been accepted and executed by the MSMEs due to various technical reasons.

**Activities for Social and Inclusive Development within the MSMEs:** Depending upon their core competency and business interest, companies should undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of their operations. These could include: education, skill building for livelihood of people, health, cultural and social welfare etc., particularly targeting at disadvantaged sections of society.

**Implementation Guidance:** The CSR policy of the MSMEs should provide for an implementation strategy which should include identification of Projects / activities, setting measurable physical targets with timeframe, organizational mechanism and responsibilities, time schedules and monitoring. MSMEs may partner with local authorities, business associations and civil society/non-government organizations. They may influence the supply chain for CSR initiative and motivate employees for voluntary effort for social development. They may evolve a system of need assessment and impact assessment while undertaking CSR activities in a particular area. Independent evaluation may also be undertaken for selected projects / activities from time to time.

GOI &MSMEs should allocate specific amount in their budgets for CSR activities. This amount may be related to profits after tax, cost of planned CSR activities or any other suitable parameter.

To share experiences and network with other organizations the company should engage with well established and recognized programs / platforms which encourage responsible business practices and CSR activities. This would help companies to improve on their CSR strategies and effectively project the image of being socially responsible. The companies should disseminate information on CSR policy, activities and progress in a structured manner to all their stakeholders and the public at large through their website, annual reports, and other communication media.

The results of achievements in the annual plan clearly indicate the profit motive in raising funds from every citizen of the country with an assurance to up lift of society – resulted with low percentage of success.

- The implementations of various schemes which are hardly effective at the ground level has been proven by the government while allocating the funds for various issues concerned to social responsibility.
- The misuse of labor laws are been followed by the various industries through experienced human resource departmental personnel (which are supposed to a part of providing the social benefits to society of various industries including service industries).
- While the MSME sector is the foremost employment-generating sector (Corporate Social Responsibility) and helping in the growth of economy.
- With prices of every raw material and labor cost going up with inflation, the MSMEs will not be able to pass on this extra cost to the customer. And with customers not ready to pay more, the MSMEs will have to bear this cost- which leads to negativity of governance. The poor intentions of Government as Corporate Social Responsibility, “Simplifying administrative procedure for taxation important,”

- Now-a-days, employees are actively participating in the social activities even on holidays. This is mainly because employees feel a sense of pride when they are involved in such activities. Moreover, companies are having dedicated departments for CSR – and not really adhering to the labour laws to be followed in real sense.
- Giving a universal definition of Corporate Social Responsibility is bit difficult as there is no common definition for Government – Multinational organizations large industries and MSMEs as such. However, there are few common threads that connect all the perspectives of CSR with each other; the dedication to serve the society being most important of them. Most ideal definition of Corporate Social Responsibility (CSR) has been given by World Business Council
- For Sustained Development which says, “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” – should be followed by the GOI.
- Firms including MSMEs can no longer continue to exploit environmental resources and escape from their responsibility by acting as separate entities regardless of the interest of the society. Organizations, now, are realizing the need to shift their focus on the interest of society.
- The sense of being socially responsible has to come from within. CSR involves various voluntary efforts in which companies engage themselves in order to give something back to the society. It involves providing innovative solutions to societal and environmental challenges. Organizations generally believe that acting in a socially responsible manner will create value for them. The fact that an organization is committed to social causes, also gives employees a sense that the company would also be committed to the welfare of its employees as well.

In India, CSR has evolved to encompass employees, customers, stakeholders and sustainable development or corporate citizenship. The spectrum of CSR includes a number of areas as human rights, safety at work, consumer protection, climate protection and caring for the environment, and sustainable management of natural resources. From the perspective of employees, CSR activities include providing health and safety measures, preserving employee rights and discouraging discrimination at workplace. This helps in fostering a healthy environment within the company.

Corporate social responsibility of GOI offers manifold benefits; it creates a positive image amongst the people for its company and earns a special respect amongst its peers. It creates short term employment opportunities by taking various

projects like construction of parks, schools, etc. Working with keeping in view the interests of local community bring a wide range of business benefits. Recycling used products also acts as a step towards minimizing wastes.

GOI have improved operational efficiency of the Government and is often accompanied by increases in quality and productivity. More importantly, it serves as a soothing diversion from the routine workplace practices and gives a feeling of satisfaction and a meaning to their lives. Employees feel more motivated and thus, are more productive. Apart from this, CSR helps ensure that the organization comply with regulatory requirements.

Even though large companies are taking serious efforts for the sustained development, some critics still are questioning the concept of CSR- at all levels. There are people who claim that Corporate Social Responsibility underlies some ulterior motives while others consider it as a myth.

**The Indian business has traditionally been socially responsible:** From inactive philanthropy to the incorporation of the stakeholders' interest in the business model, the Indian business sector practices various methods of discharging its social responsibility. While a lot of human and economic energy is available for utilization in this area, a suitable mechanism is required to channelize this energy for which the Government, corporate sector and the communities need to partner together. Against this background, the Ministry of Corporate Affairs has decided to bring out a set of voluntary guidelines for responsible business which will add value to the operations and contribute towards the long term sustainability of the business. These guidelines will also enable business to focus as well as contribute towards the interests of the stakeholders and the society.

The Ministry of Corporate Affairs has adopted the role of an enabler, facilitator and regulator for effective functioning and growth of the corporate sector. A number of initiatives are underway on the legislative, service delivery and capacity building sides so that the corporate sector is provided with a buoyant and enabling regulatory environment for its growth. Simultaneously, the Ministry is also focusing on various issues related to inclusive growth in relation to the development of corporate sector.

The subject of Corporate Social Responsibility has evolved during last few decades from simple philanthropic activities to integrating the interest of the business with that of the communities in which it operates. By exhibiting socially, environmentally and ethically responsible behavior in governance of its operations, the business can generate value and long term sustainability for itself while making positive contribution in the betterment of the society.

Indian entrepreneurs and business enterprises have a long tradition of working within the values that have defined our nation's character for millennia. India's ancient wisdom, which

is still relevant today, inspires people to work for the larger objective of the well-being of all stakeholders.

### **Nonprofit Corporate Social Responsibility**

Corporate Social Responsibility embraces three main concepts—reputation, accountability and transparency. A widely quoted definition by the World Business Council for Sustainable Development states that "Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." Today, stakeholders expect companies to perform well in nonfinancial areas that involve human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, diversity, and workplace issues.

As a Government of India which is biggest state holder to prove as head of social responsibility.

- We exist to provide high-end philanthropic advice regarding conservation of the coast and oceans Ministry of Oceanography rules and regulations
- Excellence in all we do
- Ethical and moral conduct at all times and in all our relationships
- Innovation in all areas of our business as a means of attaining and sustaining leadership
- To practice socially and environmentally responsible investing
- To educate the public about the value of protecting the marine environment
- To provide a healthful, productive and enjoyable workplace for all employees, with opportunities to gain new skills and advance personal career goals
- We do not compete with our grantees doing the work
- We do not compete for fundraising. We are bringing new money to the table
- Because our money will go much farther in many other parts of the world, more than 50% of our grant making is non-focused
- As a GOI we support and are in compliance with the GFR in the interest of GOI – We spent every rupee of government religiously economically in the interest of the society.

The corporate sector in India very often blames the government for poor governance and lack of farsightedness. In India, most of the corporate do not have a clear policy on social responsibility. While developed countries like England have separate ministries to look after the issue of corporate social responsibility, in India, the government does not have a clear policy on the issue. Out of very few companies who contribute to the social development, the basic intention was not to ensure the good of the nation, rather a business policy to stay away from the tax net.

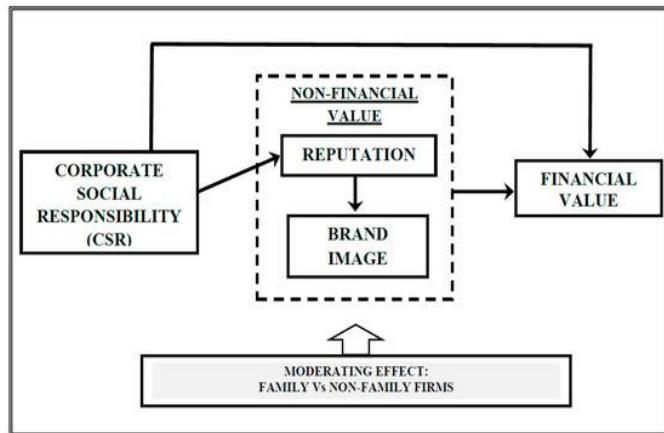
The corporate and the government should try to build up a relationship between the business and the society. The concept of corporate social responsibility (CSR) has so far failed to take deep root in India because the nomenclature is not properly defined. The CSR is in a nascent stage. Much needs to be done to bring changes in attitude towards CSR and bring awareness among the corporate about their social responsibilities. The corporate should be made aware about the changing nature of business due to globalization, transformation of market environment and deepening of competition. The market economy has paved the way for enterprise-led development and a new cultural perspective is taking place in Indian business environment that has a strong bearing on social responsibilities.

The pressure on Indian industrialists to demonstrate their commitment to social development increased during the independence movement, when Mahatma Gandhi developed the notion of 'trusteeship', whereby the owners of property would voluntarily manage their wealth on behalf of the people. Many in the corporate world and elsewhere would agree with this concept, arguing that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

**The reality is that CSR:** The reality is that CSR is not a tactic for brand building; however, it creates an internal brand among its employees. Indulging into activities that help society in one way or the other only adds to the goodwill of MSMEs.

The Indian corporate sector has seen the current decade as a period of high growth and the emergence of a strong India Inc., having a significant global footprint. The decade also saw the financial crisis that shook the global markets. While the corporate sector is recovering from the jolt of the global financial crisis, the future is looking bright. However, the corporate sector is also standing in the midst of a sustainability crisis that poses a threat to the very existence of business. What we have before us is a cross-road where one path leads us to inclusive growth and the other may lead to unsustainable future. However, the first path will require careful nurturing for which all stakeholders need to assume and discharge their respective responsibilities.

While the Government undertakes extensive developmental initiatives through a series of sectoral programmers, the business sector also needs to take the responsibility of exhibiting socially responsible business practices that ensures the distribution of wealth and well-being of the communities in which the business operates.



**Stakeholder Model:** The rise of globalization has brought with it a growing consensus that with increasing economic rights, business also has a growing range of social obligations. Citizen campaigns against irresponsible corporate behavior along with consumer action and increasing shareholder pressure have given rise to the stakeholder model of corporate responsibility.

CSR as business success CSR is considered to be an important aspect of business success—through efficient resource management, environment protection, employment, eco-friendly atmosphere, etc.

There is an option of undertaking collaborative CSR activities by MSMEs and this collaboration can also be used by other companies to maximize the impact of their CSR initiatives while reducing the operational costs for fund management.

#### Collaboration has the following advantages

This Reduces operational cost: Individual CSR efforts by a company consist of establishing a CSR department, assessing the needs of local communities, undertaking programs directly or through an NGO/Trust and conducting regular impact assessment studies. A common organization catering to a number of companies will carry out these activities collectively and thus reduce the operational cost of management.

**Enables undertaking of long-term projects:** A major hindrance in developing long-term projects is the uncertainty in the CSR budget. This is dependent on the financial performance of the company. Long-term programs also lead to better community relations and this ensures avoiding situations of community unrest that hamper business activities.

**Learning from experiences:** A common entity with multiple participants from the cluster will help assess community needs, undertake relevant programs based on past experiences and address a greater number of community issues.

Collaboration among the MSMEs in a cluster also provides an opportunity to manage social and environmental issues and respond better to the pressure from buyers, who are trying to establish ethical supply chains and gain appreciation from the international community.

Governance is concerned with structures and processes for decision-making, accountability, control and behavior at the top of organizations. In some jurisdictions “corporate” may be interpreted as a private sector term. The term “governance” is used to describe what is also commonly referred to in the private sector as “corporate governance”. In other jurisdictions “government governance” is used to describe governance in the public sector. Governance matters, in the sense that there is a strong causal relationship from good governance to better development outcomes the importance of good governance.

The public sector plays a major role in society, and effective governance in the public sector can encourage the efficient use of resources, strengthen accountability for the stewardship of those resources, improve management and service delivery, and thereby contribute to improving peoples’ lives. Effective governance is also essential for building confidence in public sector entities - which is in itself necessary if public sector entities are to be effective in meeting their objectives. The focus of governance in the private sector is on the board of directors. In the public sector context, boards are sometimes difficult to identify and define, as they operate in different statutory and managerial frameworks. At such time it is even more essential to maintain honesty in the spending of public money and to ensure that traditional public sector values are not neglected in the effort to maximize economy and efficiency.”

In the case of a business or of a non-profit organization, governance relates to consistent management, cohesive policies, processes and decision-rights for a given area of responsibility.

In terms of distinguishing the term governance from government - "governance" is what a "government" does. It might be a geo-political government (nation-state), a corporate government (business entity), or any number of different kinds of government.

Government authorities operate in a different context and are, therefore, confronted with other issues, and external audit are also important in a public environment. Corporate governance applies primarily to the business sector: Corporate governance applies primarily to the business sector.

In both the private and the public sector, there is a trend towards ever increasing demand for accountability and transparency as well as an ever increasing awareness of the

necessity for having checks and balances. Governance and associated subjects have become, both explicitly and implicitly, important issues for business, government, politics, and last but not least for the general public. That is why governance should be in place in both the private sector as well as the public sector.

Despite the emphasis on these two aspects in making an overall assessment of governance, the other elements of the government governance cycle are also essential. After all, the interrelationships between the four elements – management, control, supervision and accountability – should be safeguarded and transparent, ministerial responsibility constituting the binding factor.

The interaction between supervision and policy-making, will contribute to supervision, e.g. by communicating signals from the ‘work floor’, specific issues arising from new policy measures or information on new policies. Given the ministerial responsibility for management, control and supervision of policy implementation, it is important that the supervisory function provides impulses for policy-makers to develop and improve policies.

**Criteria for sound governance:** A governance analysis can provide a top-down approach for reviewing a policy area, using the policy objectives as the starting point and making the current governance situation transparent. Governance analyses at the level of central government are aimed at establishing a minister’s risk areas in terms of his or her ministerial responsibility. Using the government governance model can enable conclusions to be drawn with respect to the extent in which the four constituent elements of the governance process – management, control, supervision and accountability –function and interact, uncovering missing links .

Each element of the governance analysis will result in a number of recommendations. After that, making a final assessment of each element of the cycle, taking account of the interrelationships between the elements, will give an overall view of governance in the policy area examined.

**Corporate organizations often use the word governance to describe:** The laws and customs applying to that direction, & the manner in which boards or their like direct a corporation. Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled.

Rules are typically thought to be simpler to follow than principles, demarcating a clear line between acceptable and unacceptable behavior. Rules also reduce discretion on the part of individual managers or auditors.

**Corporate governance is a multi-faceted subject:** An important theme of corporate governance is to ensure the

accountability of certain individuals in an organization through mechanisms that try to reduce or eliminate the principal agent problem. Corporate Governance in the Public Sector: Improving governance is high on the agenda in various countries. Ministries, individually, are working on it, and there are also initiatives aimed at central government as a whole.

**Government Governance:** Society considers that good government goes without saying. The general public follows the actions of government authorities with interest, especially when things go wrong or look like going wrong.

The activities at central government level that involve the ministries in some way, either directly or indirectly, deal with improving transparency in respect of performance - oriented management, supervision and the relationship with the organizations and bodies at the periphery of government.

#### **Refer to Culture of Corporate Governance:**

In A Board Culture of Corporate Governance, corporate governance as ‘an internal system encompassing policies, processes and people, which serves the needs of each person directly and others needs of society, &by directing and controlling management activities with good business objectivity, accountability and integrity. Sound corporate governance is reliant on external marketplace commitment and legislation, plus a healthy board culture which safeguards policies and processes’.

#### **Integrity and ethical behavior:**

Ethical and responsible decision making is not only important for public relations, but it is also a necessary element in risk management and avoiding lawsuits. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making. It is important to understand, though, that reliance by a company on the integrity and ethics of individuals is bound to eventual failure. Because of this, many organizations establish Compliance of ethics program to minimize the risk that the firm steps outside of ethical and legal boundaries.

#### **Disclosure and transparency:**

Organizations should clarify and make publicly known the roles and responsibilities of board and management with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company’s status reporting. Disclosure of material matters concerning the organization should be timely and balanced.

Good corporate governance can reduce this wasteful behavior and, thus, "overcome the obstacles to productivity growth." Moreover, corporate governance can play a role in reducing corruption, and decreased corruption significantly enhances a country's developmental prospects. Key elements of good corporate governance principles include honesty, responsibility and accountability, mutual respect, trust and

integrity, openness, performance orientation, and commitment to the Country / organization.

In principle, the supervisory function should be segregated from the policy function. Government & Industry of India, attention should be paid to the both functions- supervisory and policy.

Indian CSR has traditionally been a matter of classical paternalistic philanthropy, financially supporting schools, hospitals and culture institutions. However, far from being an add-on motivated by altruism and personal glory, the philanthropic drive has been driven by business necessity. With minimal state welfare and infrastructure provision in many areas, companies had to ensure that their workforce had adequate housing, healthcare and education and simultaneously the country grows at a fast pace.

The CSR should not be merely a statement of intent. It should be made compulsory for the corporate operating in India. This will definitely help in upholding human rights. In this context, the following measures may be made mandatory to ensure participation of the corporate in social development:

- Incorporation of a section on social actions in annual reports of companies
- Appointment of an independent social accounting committee to measure, monitor, evaluate and report impact of CSR in annual reports
- Separate department to look after the CSR
- Periodic training programs and awareness camps to train personnel on CSR
- Linkage between CSR and financial success should be established
- A certain percentage of profit should be earmarked for social development that should reflect in the annual balance sheets of companies.

The word ‘corporate governance’ has become a buzzword these days because of three factors. The first is that the conventional wisdom all over the world that market dynamics must prevail in economic matters. The concept of government controlling the commanding heights of the economy has been given up. This, in turn, has made the nation to the most decisive factor in settling economic issues.

#### **The ethical behavior depends on three factors:**

The first is the individual’s sense of values.

The second is the social values accepted by the business and industry. Social values will depend upon the standards set up by professional bodies.

The third and perhaps the most decisive factor is the system& we face the main challenges. Not encourage:

– The lack of corporate governance in the Government of India & to the Governance in the Indian Industry& the control (Guidance)&

– The Audit Committee requirements for assessment the corporate governance.

The Audit Committee requirements for assessment of the corporate governance, is a high level of legal, ethical and moral standards, the Governance of the Government of India & to the Governance in the Indian Industry should provide:

-A gateway for employees under their control has to have their voice

- Concerns in a responsible and effective manner, about serious malpractice, impropriety, abuse or wrongdoing within the organization. The survival and growth of MSMEs can be difficult in the current competitive business environment and global marketplace; customers are more demanding of better and cheaper products, higher service levels, more product varieties and faster delivery It can be a real challenge to deliver the right product and service at the most opportune time and at the lowest possible cost to the right customer MSMEs have financial constraints, so a high priority is placed on inventory management and control, because capital tied up in inventory can be huge. Therefore, MSMEs must strike a balance between responsiveness and efficiency. A higher level of inventory may increase supply chain responsiveness; however, it increases inventory holding costs. There are a variety of partnering initiatives and inventory solutions are being employed to encourage collaborative inventory management that involves inter-dependent trading partners, such as vendor-managed inventory (VMI), JIT and collaborative planning, forecasting and replenishment (CPFR) with the hopes of mitigating bullwhip effect, minimizing demand uncertainty, reducing costs and in the end improving profitability.

### **3. CONCLUSION**

India's supply chain ecosystem has great potential for growth in coming years, since it is considered as a back bone of the economy owing to the huge dependency of others sectors. As far as technology in India is concerned, we are on the first lap of a marathon but are sure to catch up fast, as technology costs become competitive, and we are already witnessing outbreak situations where we have started leveraging tech to bring in efficiencies across the value chain. The technology usage in supply chain is continuously increasing. It has emerged that in some areas technology is extensively being used,

The current recession has caused a large number of companies to reevaluate their valuable resources and ways to preserve and invest those resources. Given the relevance of employees as key stakeholders, developing a socially responsible orientation in human resource management for taking care of workers and their needs must be an essential process for

business success. The benefits of introducing corporate social responsibility (CSR) in management models and firm strategies have been a relevant issue examined in the past decade. Several works have highlighted how CSR can increase organizational performance through generating a sense of belonging and commitment among stakeholders. Notwithstanding positive evidence regarding CSR benefits for employees, some companies still do not trust the value of developing socially responsible initiatives.

This literature review has made several contributions to the understanding of MSMEs motivations for their engagement in CSR, barriers and strategies to enhance MSMEs participation in CSR activities. Although CSR has mostly been associated with larger companies, especially multinationals, this does not necessarily mean that CSR is irrelevant for MSMEs. No matter what the size of a business is, all businesses have economic, legal, social and ethical responsibilities to specific stakeholders. It is generally noted that MSMEs engage in CSR activities for long-term survival, increase employee morale, marketing, customer support, customer loyalty, business reputation, community expectations, access to information, meeting stakeholder expectations, character/ values of the owner, innovation possibilities, legal compliance and business performance. MSMEs conduct CSR activities informally, and their understanding of CSR is influenced by the personal values of the owner/manager. Hence, the CSR activities of MSMEs are developed in a non-structured and infrequent manner. However, there are various barriers to MSMEs engagement to CSR activities. These include lack specific corporate strategies, financial resources and skills. MSMEs can engage in employee-related initiatives such as promotion of employee health and safety, remedial education for disadvantage employees, employee training and development, paying employee adequate rewards and improving the emotional and physical working environment. It is also noted that literature on MSMEs engagement to CSR activities in developing countries is insufficient to improve the Supply Chain.

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