

A large, intricate paisley graphic in shades of green, yellow, and red, positioned behind the title text. The paisley is oriented vertically, with its top pointing towards the upper right and its bottom towards the lower left.

Analysis of the CSR policies implemented in the Ludhiana knitwear cluster through the perspective of MSMEs

Master's Thesis
Author: Giuditta Presentati
Copenhagen Business School, 2017

Name of the programme: MScSc in Management of Creative Business Processes

Hand in Date: 16.01.2017

Supervisor Name: Peter Lund-Thomsen

Number of pages and characters: 72 (188933)

NON-CONFIDENTIAL

Table of Contents

Abbreviations	IV
Abstract.....	V
1. Introduction.....	1
1.1 Research question	3
1.3 Research design	4
1.3.1 Epistemological and ontological considerations.....	4
1.3.2 Research strategy	5
1.3.3 Research method: Case study.....	6
1.3.4 Data collection methods.....	7
1.3.4.1 Insight to the semi-structured interviews.....	10
1.3.5 Data collection analysis.....	13
1.4 Quality assessment approach: Validity and Reliability	14
1.5 Ethical concerns	15
1.6 Limitations encountered during the fieldwork.....	15
1.7 Chapters’ overview.....	15
2. Literature Review	16
2.1 Clusters.....	16
2.1.1 Definitions and characteristics of clusters.....	16
2.1.2 Classifications of clusters	18
2.1.3 Relations between industrial clusters, economic and social upgrading.....	20
2.1.4 Industrial clusters and CSR.....	21
2.2 Micro Small Medium Enterprises (MSMEs).....	24
2.2.1 Definitions and characteristics of MSMEs.....	24
2.2.2 MSMEs and CSR	26
2.3 Informalisation of labor	28
2.3.1 Definitions and debates on informality.....	28
2.3.2 Informality and CSR.....	31
2.4 Corporate Social Responsibility (CSR).....	34
2.4.1 Definitions, characteristics and perspectives of CSR	34
2.5 Initial conceptual framework.....	37
3. Case presentation	39
3.1 Brief overview of the Ludhiana’s knitwear cluster	39
3.1.1 Horizontal ties.....	43
3.1.2 Vertical ties	46
3.1.2.1 Backward ties.....	46
3.1.2.2 Forward ties	47
4. Analysis	49
4.1 Ludhiana’s knitwear cluster	49
4.1.1 Classification of the cluster.....	49
4.1.2 Collective CSR in Ludhiana	50
4.1.2.1 Collective Environmental CSR	51
4.1.2.2 Other collective CSR activities	54
4.1.2.3 Summary collective CSR in Ludhiana.....	56
4.2 Ludhiana’s MSMEs	56
4.2.1 Characteristics and differences of the MSMEs interviewed	56
4.2.2 Individual CSR in Ludhiana	58
4.2.2.1 Individual internal CSR.....	58

4.2.2.2 Individual external CSR	61
4.2.2.3 Summary individual CSR in Ludhiana	63
4.3 Informality in Ludhiana.....	63
4.3.1 Workforce composition and characteristics in Ludhiana	63
4.3.2 Informalisation of labour in factory-realms of production in Ludhiana and the consequent repercussion on CSR implementation.....	65
4.4 CSR perceptions in Ludhiana.....	66
4.4.1 Definitions and perceptions of CSR for Ludhiana’s MSMEs	66
4.4.1.1 Drivers and recipients for CSR involvement	67
4.4.1.2 Communication of CSR.....	68
4.4.1.3 Obstacles and benefits of CSR.....	69
5. Conclusion	69
6. Bibliography	73
7. Appendices.....	82

Abbreviations

BKTK – Bahadur-Ke Textile and Knitwear Association
BRIC – Brazil, Russia, India, China
CICU – Chamber of Industrial and Commercial Undertaking
CETP – Common Effluent Treatment Plant
CSR – Corporate Social Responsibility
DIC – District Industry Centre
ESI – Employees’ state insurance
FICO – Federation of Industrial & Commercial Organization
FMC – Foundation for MSME Clusters
GVC – Global Value Chain
ILO – International Labour Organization
INTUC – Indian National Trade Union Congress
ITI – Industrial Training Institute
LDA – Ludhiana Dyeing Industries Association
LKA – Ludhiana Knitting Association
MSME – Micro Small Medium Enterprise
MSME-DI – Micro Small Medium Enterprises Development Institute
PDA – Punjab Dyeing Association
PF – Provident Fund
PPCB – Punjab Pollution Control Board
STP – Sewage Treatment Plant
UP – Uttar Pradesh
ZLD – Zero Liquid Discharge

Abstract

The main objective of this thesis is to investigate and understand the Corporate Social Responsibility (CSR) practices implemented by micro, small and medium enterprises (MSMEs) in the Ludhiana knitwear cluster in India and how CSR is perceived by them. CSR practices has gained a new resonance in the global economy in the last thirty year and it is a result of globalization and international trade. Despite this increasing in attention, very little is known on the practice of corporate social responsible actions in developing countries. Indeed, there is a western centre focus in academic publications on this topic. Furthermore, the researcher's choice of focusing on MSMEs is due not only to their numerical strength, but also to their labour-intensive production processes, which make MSMEs crucial in the development process of rising economies. For all these reasons, this research aims to fill in the gap in the literature providing an empirical research based on the Ludhiana's knitwear cluster. In order to gain the necessary information to answer the research question posed, 17 semi-structured interviews with managers of MSMEs and external stakeholders (like government officials or trade unions) have been done. Secondary data have been added only when considered necessary.

The findings show that no universal definition of Corporate Social Responsibility exist between the respondents and the main connotations refer to labour welfare and environmental welfare. Furthermore, CSR actions are perceived primary as support activities implemented by them on a voluntary basis and not as 'monitoring systems' imposed by outsiders. Regarding the typologies of CSR actions implemented, informal individual activities mainly directed towards the labour force are dominating, followed by environmental actions on a collective level. The research is then concluded with the provision of further policy and research implications regarding this particular case-study.

1. Introduction

The title of my thesis is "*Analysis of the CSR policies implemented in the Ludhiana knitwear cluster through the perspective of MSMEs*". In this research I will exhibit and investigate the Corporate Social Responsibility (CSR) practices/policies implemented by MSMEs in the Ludhiana knitwear cluster in India and how CSR is perceived by them.

Corporate Social Responsibility (CSR), is generally defined as the process whereby corporate actors integrate economic, social and environmental concerns into their core business activities (Lund-Thomsen & Pillay, 2012), has attracted a great deal of attention worldwide and gained a new resonance in the global economy in the last thirty years (Raynard & Forstater, 2002). This gain of popularity is a result of globalization and international trade, which in turn, has been reflected in increased business complexity and new demands for heightened transparency and corporate citizenship (Jamali & Mirshak, 2006). Moreover, processes of privatisation and deregulation have re-drawn the lines between state and the market, changing the basis on which private enterprises are expected to contribute to the public good (Raynard & Forstater, 2002). In this situation, the spotlight is increasingly turning on the role of business in society and the consequent importance of CSR activities. In recent years, increasing attention has been given to CSR, as a postulate for ethical and responsible behaviour in business and very little is known on the practice of corporate social responsible actions in developing countries. Various scholars have highlighted a western centre focus in academic publications on this topic, and the few publications that are present on CSR in developing countries are usually excessively concentrated on export-oriented firms (Lund-Thomsen et al, 2016a). My motivations for focusing on CSR in developing countries, as distinct from the developed world is manifold. Firstly, developing countries are the fastest expanding economies and therefore the most lucrative markets for business (IMF, 2006 in Visser, 2008). Secondly, rising economies are where globalization, economic growth and business activity are likely to have the most intense social and environmental impact, making so CSR practices fundamental. Thirdly, developing countries present a different set of CSR agenda challenges compared to those faced by developed countries.

Globalization, economic liberalization and deregulation/privatization processes, have allowed developing countries to integrate into the global economy. This process is seen as the best way to overcome poverty and inequalities, bringing not only economic growth but also sometimes social upgrading (Raynard & Forstater, 2002). This is crucial in the development of the private sector, in which micro, small and medium enterprises

(MSMEs) play a central role. MSMEs form around 90% of the businesses and account for at least half of employment in developing countries (Luetkenhorst, 2003). Apart from their strength in number, their importance in the development process is also due to their labour-intensive production processes, that usually distinguish them from larger enterprises. For this reason, MSMEs have a meaningful impact on employment and, consequently, their engagement in CSR activities is crucial, having a significant influence on society as whole. For me, all these aspects make studying and fostering CSR actions in MSMEs a topic of rising importance. Looking at the context of developing countries, MSMEs tend to agglomerate in industrial clusters in order to overcome growth constraints (e.g. lack of human or financial resources) and to compete in global markets (Lund-Thomsen & Pillay, 2012). Industrial clusters are geographical concentrations of companies, operating in the same or related industries (Giuliani, 2005) and their organizational form is usually seen as an encouraging rise in productivity and incomes between the member firms and the local communities (Nadvi, 1999 in Pyke & Lund-Thomsen, 2015). Even though, clusters are portrayed as breeding ground of local economic growth and innovation, few studies have shown whether their development actually proceeds also in an economically, socially and environmentally responsible way (Lund-Thomsen et al, 2016b). Moreover, rare studies rely on the CSR discourse (Accountability, 2006 in Ibid). Therefore, for all these reasons, I chose to focus on researching CSR in micro-small-medium sized industrial clusters in a developing country context.

My attention will be specifically focused on India where I found three main reasons that aid to my choice of choosing India as my research subject in this context. Firstly, the Indian economy has grown tremendously in the recent period, achieving now the status of the BRIC (Brazil, Russia, India, China) countries (Mezzadri, 2014a). Secondly, Indian enterprises not only sell products successfully in international markets, but they also detain increasing large consumer-base within the national borders, making for an interesting study on CSR implementation in local suppliers. Lastly, several attempts to promote CSR adoption in India have been seen, directed not only towards big enterprises, like the Company Act 2013, but also towards MSMEs (e.g. IICA and GIZ project). These serve as a previous laboratory for shading some light on MSMEs' views on CSR and understanding the extent to which CSR has been adopted.

My interest and focus on this thesis relies and is centred around the Indian apparel, which is one of the oldest industries in the Indian economy but also one of the most important, nowadays. India has steadily and progressively turned into one of the major global garment exporters, detaining in 2016 the second largest manufacturing capacity in the world (Make In India, 2016). The textile and apparel sector are the second largest employment provider in the country, employing nearly 51 million people directly and 68 million

people indirectly, only in 2015-2016 (Ibid). Moreover, it contributes approximately 5 per cent to India's Gross Domestic Product (GDP), making it an important sector for the national economic and social growth. Due to the importance of the industry for the national economy and for its labour-intensive characteristic, which is reflected in a heavily exploitation of informal workers (Mezzadri, 2016b), it seems relevant to exhibit and investigate CSR implementation and perception in this sector. Therefore, I selected Ludhiana's knitwear district in order to explore and investigate, in an Indian cluster, CSR perception and engagement. The decision is twofold. Firstly, because at a national level, the Ludhiana cluster is one of the most important garment centres, specifically the principal for producing woollen knitting wear mainly dedicated to the domestic market (Uchikawa, 2012). Second I got the opportunity to get in touch with FMC (Foundation for MSMEs Cluster Development), a NGO based in Delhi dedicated to the growth of clustered MSMEs in India. After talking to them, I got the suggestion to study in depth this industrial district, and their expertise and knowledge in this field, helped tremendously with my research. For this reason, I will focus my attention on CSR engagement in the Ludhiana's knitwear cluster in India, investigating the extent and exhibiting the way local MSMEs engage in social responsible practices and how CSR is perceived by them.

1.1 Research question

In my thesis, I will explore, investigate and be able to answer, the following research question:

How do the MSMEs in the Ludhiana's knitwear cluster in India perceive and implement Corporate Social Responsibility actions?

The research question sets the context of my study and determines its main variables which are mainly CSR, industrial clusters and MSMEs. Informality, in the form of informalisation of labour, is another topic influencing this research, even if not explicitly stated in the research question. Each theoretical theme will be described in details in chapter 2. Existing literature on the topic argues that three main drivers lead clustered MSMEs to be involved in CSR activities, which are stakeholder pressures (both local and global), business case to achieve efficiencies and profitability; personal/cultural values and the motives of owners/managers. It is believed that a certain degree of CSR engagement will occur in the cluster in question, but it is unclear to which extent and in what form this will happen. It is also assumed that the specific institutional and cultural context, the national policy framework and the characteristics and nature of the value chains in which the local suppliers are embedded, will influence the discourse. Although it is not known exactly how this will play out.

1.3 Research design

This section describes the research design used to study the topic. Informing this decision should be the epistemological and ontological dimensions considered or philosophy of science, the relation existing between theory and data or research strategy, the selected strategy of inquiry or research method and the specific methods of data collection, analysis and interpretation.

1.3.1 Epistemological and ontological considerations

Epistemological and ontological dimensions refer, correspondingly, to the theory of knowledge (Justesen & Mik-Meyer, 2012), and the nature of social reality (Saunders & al, 2008). While ontology, in brief, refers to the question of “*what we perceive to be the nature of the world*” (Justesen & Mik-Meyer, 2012), epistemology is concerned on what is, or should be, considered as acceptable knowledge in a particular subject area and my ability as the researcher in attaining this information. My research starts with a *weak social constructivist perspective*. Social constructivism is a philosophical paradigm that is based on a *relativist* ontology and a *subjectivist* epistemology (Guba and Lincoln, 1989) and it generally assumes that reality is not an independent entity and something naturally given or discovered; but it is a construction among humans (Justesen & Mik-Meyer, 2012). However, a moderate or weak interpretation of social constructivism is quite different. The strong social constructivism perspective denies the presence of an independent reality outside a human’s perception of it. In turn, this asserts that both these representations made by individuals and the actual entities to which these representations refer, are socially constructed (Ritzer & Ryan, 2010; Scott & Hargreaves, 2015). In this case a weak or moderate viewpoint sustains the existence of a reality at an ontological level, which is independent of people’s perceptions of it, that in turn exerts an influence, in the way in which it is represented at an epistemological level (Ritzer & Ryan, 2010). Moreover, what is counted as knowledge (the epistemological level), is dependent not only by the context in which it is created but also by people’s perception of it (Ibid). For this reason, the object of study is always looked beside the specific context of its emergence, like the historical and cultural conditions, as well as the social processes.

The choice of an ontological and epistemological assumptions has crucial consequences for the practical implementation of a study. The aim of this research, as stated earlier, is to understand the complex phenomenon of CSR perception and implementation in the context of a MSMEs’ cluster in a developing country like India. A weak, social constructivist viewpoint has been chosen because it allows, me the researcher, in presenting my own specific vision of the social reality, which has been defined by the empirical observations (locally socially constructed) and bounded by my subjectivity. The purpose of the research,

indeed, is not to find one definitive universal truth (like critical realists do) but to acknowledge the possibility of multiple forms of knowledge (Järvensivu & Törnroos, 2010). Moreover, the choice of a moderate social constructivism perspective is evident at a number of levels. Firstly the way the research question is formulated. Indeed, the attention is placed on the *how*, leading the interest towards the process of implementing CSR activities in clustered MSMEs in developing countries, which is believed to be a social reality. Secondly in the process of gathering data through personal or group interviews, where the interview was developed in an active way. This means the talk is considered as an occasion for producing reportable knowledge where both parties are active, and knowledge is built collaboratively (Holstein & Gubrium, 1997 in Ibid). Thirdly the research question will be answered by different social actors, both engaged and disengaged in MSMEs, and this will offer different perspectives about the social reality. This will also allow me, the researcher, to describe as many facets as possible, of this phenomenon, both complex and ambiguous.

1.3.2 Research strategy

Two general relations between theory and data (research strategies) exist; theory can come first and guide the process of gathering and analysis of data or theory can be the outcome of research and analysis of some or all data related to a research project (Bryman and Bell, 2015; Bryman, 2008). These two methods of reasoning are respectively called *deductive* and *inductive* and, when 'combined together', form a third process of reasoning called *abduction*. This study is an *abductive research strategy*. In this particular case, abductive approach, it is meant as a research strategy which occupies "*the middle ground between inductive and deductive approaches to knowledge production*" (Järvensivu & Törnroos, 2010). Unlike induction, abduction accepts the presence of existing theory in explaining an empirical phenomenon, but also enables for a less theory-driven research process than deduction, and by that, allowing a data-driven theory development (Järvensivu and Törnroos, 2010). In this way, the social world is seen as an empirical source for theoretical ideas, ergo involving me, as the researcher, in a back and forth engagement between the social world and literature in a so-called process of "*dialectical shuttling*" (Atkinson et al, 2003; Schwartz-Shea & Yanow, 2012 in Bryman & Bell, 2015). This continuous matching and redirection between abstract theory and concrete data is well suitable for testing theories in unexplored contexts, like my research project. Moreover, during my research process, the conceptual framework initially developed was successively modified due to the empirical findings, as it can be seen in section 4.5, so being in line with an abductive research strategy. Finally, I did not intend to formulate generalized conclusions or to invent new theories, but to simply achieve a clearer picture of the researched phenomena and to analyse the appropriateness of

the existing theories on the case studied. So, in line with the abductive approach, I provided an informed 'guess' about the case.

1.3.3 Research method: Case study

This research starts with a 'problem to elucidate': understanding how CSR (the social phenomenon of interest) is perceived and implemented by the MSMEs in the Ludhiana's knitwear cluster. Starting from this point, it appeared clear to me that the best social science research method to use is a *case study* approach. Indeed, case studies are empirical inquiries, which a scope to investigate a contemporary phenomenon (the case in question) in depth and within its real-world context, where the boundaries between the event and the context are not clear (Yin, 2014). I assumed and subsequently discovered that this understanding is likely to involve important contextual conditions pertinent and specific to this case.

The choice of a case study research method is manifested at different levels. Firstly, in the form of the research question posed; I wanted to understand and explain '*how*' a complex social phenomenon (CSR) is perceived and implemented by a local community (Ludhiana's knitwear MSMEs). This understanding has to deal with social and contextual links that need to be traced over time, rather than describe the incidence of a phenomenon, instead, typical of survey or archival analysis 'methods (Ibid). Secondly the choice is evident in the lack of control from me, the researcher, of the behavioural events examined and on the focus on contemporary events as opposed to historical ones. Indeed, opposing to experiments, case studies are preferred when the researcher cannot manipulate the relevant behaviours and when current events are explored. Moreover, the aspect to explain present circumstances is manifested in the use of interviews as a data collection method, which would not be possible in the case of a history research method. Specifically, this research consists in a "*maximum variation case study*" (Flyvbjerg, 2006), where its purpose was to obtain information regarding the importance and influence of several circumstances for case process and outcomes. I want to understand how the phenomenon of CSR is seen, understood and implemented among the different industrial units in the Ludhiana's context. This is done through the use of a small number of units as a sample, where each are specifically selected on the basis of their information content. In order to maximize the diversity (and complexity), relevant in answering the research question posed, different respondents have been chosen, representing not only dissimilar MSMEs on different dimensions (like size, activity done, markets and customers detained) but also external stakeholders, in order to obtain outside perspectives on the topic. The basic principle of this choice is to gain greater insight of the phenomenon by looking at it from different angles.

Regarding the selection of the case, a *convenience sampling* was used. Indeed, after an introductory and explanatory Skype call between me and one employee of FMC, where I explained in detail the research topic and purposes, the NGO selected the Ludhiana's knitwear cluster as the unit of analysis. I preferred to leave this decision to the FMC due to their expertise and knowledge in the field.

1.3.4 Data collection methods

With the term research strategy, Bryman (2008), means a broad orientation to the conduct of a social research. Two main general orientations in conducting a social research exist: *qualitative* and *quantitative*. I considered useful for the reader to explain the differences between these two research strategies in order to understand the data collection methods used in this paper. While quantitative research, emphasizes quantification both in the collection and analysis of the data, qualitative research highlights words (Ibid). However, the difference between the two 'approaches' is deeper than the presence or not of quantification in collection and analysis of the data. Therefore, the two lines of research differ with respect to their epistemological and ontological considerations and on the relationship theory and research used.

The use of a qualitative research strategy was the preferred choice, in order to get an insight and explain a complex social phenomenon, like how CSR is perceived and implemented by MSMEs in the Ludhiana's knitwear cluster. I did not apply any measurement, instead focusing in the data in the form of words. For this reason, I prepared a data collection strategy predominantly focusing on semi-structured interviews, which are often referred to as *qualitative research interviews* (King, 2004 as cited in Saunders & al, 2008). Particularly, the choice of semi-structured interviews are also in line with an explanatory and descriptive case study, like this research, where a more flexible approach is preferable in order to explain and infer relationships/connections between variables that describe the manifestation of a complex phenomenon (Saunders & al, 2008).

Most of the interviewees were recorded with the use of a digital audio-recording device, when permission was given. This was done, in order to control bias and to produce reliable data for the research (Ibid). Moreover, by audio-recording the interviews, I was able to concentrate on questioning and listening, particularly on the facial expressions and the other non-verbal cues given by the respondents (Ibid). For the interviews where the permission of recording was forbade, I took detailed notes of the answers given. In order to be able to process and analyse the data obtained through the interviews, I made a transcription of the recording and the notes taken. Particularly, regarding the recorded conversations, a transcription from spoken to written language was made but following some guidelines: such as excluding repetition of words

or pauses of self-reflection when not considered relevant. Sometimes, also rephrasing of the answers was needed because of the bad English proficiency of the respondents.

Interviews were the main form of source of data for this research. However, secondary data in the form of previous formal studies, official websites and press-articles was also analysed. Specifically, through Sangeeta Agasty, general manager of FMC, I got access to a previous Diagnostic Study Report on the Ludhiana’s dyeing cluster done by the NGO for the Indian ‘*Ministry of micro, small and medium enterprises*’, while, regarding all the other secondary data sources, the researcher gain access to them through Internet searches. The sampling of the secondary data, was based on the assessment of the *overall* and *precise suitability* of the data gained to answer the research question and meet the objectives of the paper (Ibid). Attention was paid on the reliability and validity of the secondary data found online and a quick assessment of these aspects was done by looking at their sources. For this reason, only official web pages, national newspapers and previous formal studies published in international journals or conducted by valuable institutions (e.g. the National Council of Applied Economic Research (NCAER)) were picked and analysed. Finally, I also took into consideration the purpose for which the existing data was originally intended for and, regarding this aspect, only documents generated for research purpose were analysed.

This multi-source approach, is highly recommended when doing case study research and the main advantage of using multiple source of evidence, is to develop *converging lines of inquiry* that make the case findings more convincing and accurate (Yin, 2014). The following table summarizes all the methods used in this research:

Overview of the data collection methods		
Data collection methods		Period of collection
Interviews	<ul style="list-style-type: none"> • 16 <i>semi-structured face-to-face</i> interviews with various MSME’s owners, governmental officials, employees in trade unions and training institutions; • 1 <i>semi-structured group</i> interview with governmental officials. 	25.04.2016 – 03.05.2016
Document analysis	<ul style="list-style-type: none"> • Previous formal studies: Uchikawa S., <i>“The Development of Apparel Industrial Cluster in India. A Comparison between Ludhiana and Tiruppur”</i>, 2012 	Prior, during and after field research

	<p>MSME DI, <i>“Brief Industrial Profile of district Ludhiana”</i>, 2010</p> <p>ACDS, <i>“Ludhiana Knitwear and Apparel Cluster: Diagnostic Study Report 2014”</i>, 2014</p> <p>Sameeksha, <i>“Cluster Profile: Ludhiana knitwear cluster”</i>, 2011</p> <p>FMC, <i>“Diagnostic Study Report: Dyeing Cluster – Ludhiana”</i>, 2016</p> <p>Tewari M., <i>“Successful adjustment in Indian industry: The case of Ludhiana's woolen knitwear cluster”</i>, 1999</p> <p>NCAER, <i>“Assessing the prospects for India’s textile and clothing sector”</i>, 2009</p> <ul style="list-style-type: none"> • Analysis of web pages: <ul style="list-style-type: none"> http://www.ppcb.gov.in/ http://aepcindia.com/ http://www.btkkindia.com/ http://www.cicuindia.org/ • Press articles: <ul style="list-style-type: none"> <i>“Three years on, CETPs for dyeing units hanging fire”</i>, 2013 (industantimes.com) <i>“Tirupur shows Ludhiana how it is done”</i>, 2003 (economictimes.indiatimes.com) <i>“Dyeing units seek years? Time for setting up treatment plants”</i>, 2009 (timesofindia.com) 	
--	---	--

Table 1: Overview of the data collection strategy; Source: the author

In the following section, I will present an in-depth description of the interviews undertaken and the sampling method used.

1.3.4.1 Insight to the semi-structured interviews

With the purpose to get information on how MSMEs in the Ludhiana's knitwear cluster perceive and implement economic, social and environmental responsibility of business, I needed to gather in-depth information from different people, both inside and outside the industrial units. This was done through the use of *semi-structured interviews*, conducted both face-to-face/individually and in a group. The choice of conducting semi-structured interviews was mainly due to my choice in being flexible, towards the inputs given by the respondents; keeping a list of questions and specific themes referred as the *interview guide* (Saunders et al, 2008; Bryman, 2008). Particularly, three different interview guides were prepared for the respondents (Appendix 1,2,3); one for the MSME's owners/managers, one for the government institutions and the last for the stakeholders interviewed, such as trade labours and a train institution. These guides, contain an outline of the topics to be covered and a list of questions, which helped me lead the conversation. However, they also allowed for the process to be flexible towards the respondent's inputs, letting the sequence of questions to vary, in order to follow up the conversation and the answers given by the subjects (Kvale, 1996). Consequently, this led to the exploration of new angles of the research problem, (how CSR is perceived and implemented in a developing country cluster) previously considered irrelevant by me. The three interview guides contained some common and standard questions mainly necessary in giving a brief description of the company or institution in question and to follow for a more relaxed atmosphere. They also enclosed specific inquiries that differed from respondent to respondent based on their position (e.g. inside or outside the industrial units) and their relationships with the MSMEs. Furthermore, the interview questions were all based on the research question posed and on the theoretical assumptions previously undertaken by me thus, always covering the four main topics of this research: MSMEs, clustering, workforce & informality and CSR. In regard to the interview guide prepared for the MSMEs, the interview was quite long and it contained around 50 questions; in order to allow for fluidity in the conversation, the questions were distributed in categories covering the previous listed topics. Finally, the 17 semi-structured interviews conducted, lasted from around 25 minutes to 1 hour and 23 minutes, depending on the availability of the participants. Before starting the conversation, a brief description of the research was always given through the provision of a participant information sheet (Appendix 4).

There are several ways and strategies to get access into specific social settings, depending if they are a closed or open/public settings, according to Bryman (2008). This study is based on closed settings characterized by different MSMEs and other institutions/organizations of various kinds in the Ludhiana's cluster. The strategy used, was to play an *overt role*, which means that I disclosed the fact to be a researcher in order to get access

to organizations (Ibid). Initially, this was not done directly by me but by FMC (Foundation for MSME clusters) a NGO specialized in promoting MSMEs based in Delhi but detaining a branch office in Ludhiana; and thus, in direct contact with local industrial units and institutions. The organization vouched for me and the value of the research, placing themselves in the role of a *'sponsor'* (Ibid). The selection of the interviewees, was directly done by them but with the advice and under my supervision where I decided to apply a *purposive sampling*. This sampling technique, is essentially strategic (Ibid), and the selection of the respondents was basically based on my judgment *"to select cases that will best enable to answer the research question posed and to meet the objectives"* (Saunders et al, 2008). For this reason, the respondents have been selected with the aim to represent, on one side, all the different core-cluster actors present in the Ludhiana's knitwear cluster and, on the other side, the main external stakeholders directly and indirectly related with the industrial units regarding the implementation of CSR practices. I wanted to achieve a good variety of the samples related to my research and the logic to pick participants also outside the industrial units is to provide different perspectives about the social reality studied and to reduce the risk of formulating conclusions reflecting only one point of view. Table 2 shows in details the participants, length and location of the individual and group interviews.

Type of industrial unit	Initials respondents	Role of the informant	Date of the interview	Location	Length of the interview
Dyeing unit	R.V.	Director	26.04.2016	Industrial unit	00:45:16
Dyeing & Printing unit	V.M.	Managing Director	26.04.2016	Industrial unit	01:08:08
Dyeing unit	V.J.	Director	27.04.2016	Industrial unit	00:42:56
Dyeing unit	B.J.	Partner	27.04.2016	Industrial unit	01:22:34
Knitting unit	H.J.	Director	27.04.2016	Industrial unit	00:46:29
Knitting & Printing unit	A.S.	Manager	28.04.2016	Industrial unit	01:18:57
Knitting unit	R.G.	Director	28.04.2016	Industrial unit	00:51:43
Subcontracting unit	V.K.T.	General Manager	28.04.2016	Industrial unit	01:23:23
Embroidery unit	A.K.	Partner	29.04.2016	Shop	Not recorded
Embroidery unit	M.K.	Owner	29.04.2016	Shop	Not recorded
Embroidery unit	S.K.	Owner	29.04.2016	Shop	Not recorded

Type of organization	Initial respondents	Role of the informant	Date of the interview	Location	Length of the interview
Government Institution	M.K. & unknown	<u>Group interview:</u> General Manager and Employee	25.04.2016	DIC Office Ludhiana	00:47:26 (several takes)
Government Institution	R.K.R.	Director of the regional office Ludhiana-IV	25.04.2016	PPCB Office Ludhiana	Not recorded
Government Institution	A.P.	Assistant director	25.04.2016	MSME-DI Office Ludhiana	Not recorded
Training Institution	S.S.	Headmaster	02.05.2016	ITI Women Ludhiana	00:57:49
Trade Union	S.S.	Director Ludhiana Labour Office zone n°2	03.05.2016	Labour Office Zone n°2	01:06:58 (several takes)
Trade Union	unknown	Employee at the Indian National Trade Union Congress	03.05.2016	On the street outside the Labour Office Zone n°2	Not recorded

Table 2: Overview of the interviewed firms and other institutions; Source: the author

As previously stated, 17 interviews were conducted that also included a group interview with two government officials, from DIC. This choice was due to convenience reasons regarding timing and availability of the respondents. Particularly, a group interview differs from an individual one regarding the number of participants involved, and unlike a focus group it is primarily interested in collecting individual opinions about the same topic without encouraging group discussion or interaction (Eriksson & Kovalainen, 2008). The interviews with the industrial units, were usually followed by a tour of the production facilities. The main purposes of these visits were to understand the production process and have an opportunity to evaluate the working and environmental conditions of the MSMEs. During the tours, the researcher took some pictures, which will be included in the analysis chapter.

Finally, it is important to underline that all the interviews carried on consist in *cross-cultural interviews* and they can be quite different from intra-cultural interviewing because of the involvement of translators (Griffin, 2015). Even if I have conducted individual interviews, they all involved a third party consisting in a local interpreter. The person in question is an employee of FMC and he was known from most the respondents. The presence of a third party directly acknowledged from the interviewees did not affect the social

interaction, however I faced some limitations due to the use of a translator and they will be explained in greater detail in section 1.4.

1.3.5 Data collection analysis

In the following paragraphs, the strategy used to process and analyse the data collected will be presented. Data collection and analysis should be carried concurrently, allowing the researcher to collect new data to fill in gaps or to test new hypothesis that emerge during the analysis (Miles et al, 2013). Following this recommendation, every day after the interviews had finished, I started to process and transform the scribbled field notes in write-ups, making the raw material processable for the analysis. However, due to the lack of time during the fieldwork, the transcription of the recorded interviews was done afterwards. Subsequently, I coded all the data firstly in an Excel document and then in the NVivo program and finally analysed them.

The coding process was divided in two cycles. During the First Cycle coding, I assigned codes to piece of data-chunks with a purpose to summarize segments of data (Ibid). Most of the first categories created were based on a provisional start-list of codes (*deductive coding*) that was built on the key variables that I brought to the study (e.g. labour informalisation, MSMEs), while the other codes, still emerged progressively during both the data collection and the analysis. Furthermore, different approaches for creating the codes were used and the most resulted in *descriptive coding*, which consist in a word or short phrase to summarize the basic topic of a data portion (e.g. government action, MSMEs issues). In a less amount, *process coding* was applied which is characterized by the use of gerunds to connote action in the data (e.g. training workforce, outsourcing, job-working). *Simultaneous coding*, (the application of two or more codes to a single data portion) and *sub coding*, (assignation of a tag after a primary code) were also used. The latter was considered particularly appropriate when general categories were initially assigned but a more extensive labelling was considered as necessary. It can be concluded that, the analysis followed both a *deductive* and *inductive* coding, however the coding frame built mainly matured from the theoretical variables on which I constructed the initial conceptual framework: MSMEs, cluster, workforce & informalisation and CSR.

The Second Cycle of coding worked with the resulting First Cycle codes and had a purpose to summarize them into a smaller number of themes and categories, also called *pattern codes* (Ibid). In this phase, I mainly tried to find the emergent themes that have occurred from the data, which resulted in cluster, MSMEs, workforce and CSR, and developed a hierarchy map showing the interconnections between the codes found

in the First Cycle coding. One example of the final outcomes of the process is the following tree-map that show the hierarchy of the patterns in regard of the cluster theme (Appendix 5).

1.4 Quality assessment approach: Validity and Reliability

Project validity and reliability are important criterion for judging the quality of a research design and, more generally, of any empirical social research. Four tests and specific tactics for each standard have been suggested by Yin (2014), when doing a case study research, and supervised by me during the all research process in order to increase the credibility of the study. These four tests are: *construct, internal, external validity and reliability*.

Firstly, construct validity ensures that correct operational measures have been identified and chosen for the concepts being studied (Ibid). To meet the test of construct validity, in this case study research, I used multiple sources of evidence during data collection. Consequently, this encouraged the development of converging lines of inquiry (*data triangulation*) and essentially provided multiple measures, of the same phenomenon making the findings and conclusion more convincing and accurate. Secondly, regarding the external validity or the extent to which the study's results can be generalized beyond the particular study and the research method used, I did not make the flaw to consider statistical generalization as the way to meet this criterion. Rather than thinking about my case as a sample, I shed some empirical light to the theoretical propositions chosen into the initial design of the study/initial conceptual framework (*analytical generalization*). In this way, I generalized from the specific study to a theory, helping in the development, definition and testing of the theory of 'CSR implementation and perception in clustered MSMEs in the Indian context'. Thirdly, the concept of reliability demonstrates whether a study and its operations can be replicated with the same results. To overcome this, a case study database was developed. This database consists of an orderly compilation of all the data analysed for the research, which includes extensive field notes, interviews recordings and transcripts and external document analysis. I have decided to enclose in the USB (Appendix 6) the electronic folder containing all the material examined, in order to allow the reader to examine the data researched themselves. Lastly, concerning internal validity, which is defined as the degree to which causal conclusions can be derived from a study, this test was inapplicable because mainly/only related for explanatory investigations, not descriptive ones.

1.5 Ethical concerns

Ethics is an important element of research and should not be overestimated. Indeed, it is my responsibility, as the researcher of this thesis, to safeguard the respondents and avoid anything that will create doubt and concern. I informed the participants in regard to the nature of the study and assured privacy and anonymity. The first two aspects were ensured through the provision of the participant information sheet (Appendix 4), a page describing in detail both the topic and purpose of the research and assessing the participants about their rights (for instance, their possibility to withdraw from the study whenever they want). Moreover, I always asked permission regarding both the recording of the interviews, the visit of the units and the possibility to take pictures. This was done in order to respect the wishes of the participants (Lichtman, 2014). Finally, regarding the anonymity and privacy of the participants, the researcher orally agreed with the firms that they will not be mentioned in my research in order to ensure privacy and the freedom to speak freely.

1.6 Limitations encountered during the fieldwork

As sustained by social constructivists, the reality is collectively constructed and, in the specific, collective entities like language, discourses or objectified institutional structures, are the contexts in which the individuals relate and interact (Berger & Luckmann, 1966 as cited in Justesen & Mik-Meyer, 2012). For this reason, the specific local language (in this case Punjabi) has a crucial role in creating reality and knowledge. A big limitation of this thesis consists in the language barrier faced by me. Even if the interviews were mainly taken in English, the level of proficiency of the respondents was not 'sufficient' and some parts of their answers were done in Hindi. For this reason, the use of a local translator was necessary in order to grab the slightest cultural meaning and values laden on the words, which are of crucial importance from a social constructivism point of view. However, even the presence of an interpreter cannot be comparable or having the same results of being fluent in the local language. Another limitation encountered and always related to the translation process consisted in the incompleteness of the translation received. Of course, I perceived the interpreter was clearly giving me only a partial and summarizing translation of what the participants were actually saying. It seemed important for me to acknowledge these issues encountered, because they could provide misunderstandings or incompleteness in the data collected.

1.7 Chapters' overview

The research is structured as follows. The introduction has both given a description of the field, research question and reasons that guide this thesis. It also explained the methodology used in order to answer the research question posed and to meet the objectives fixed. Following this overview, a detailed description of

the literature and the debates around the main theoretical variables related to the research will be presented. At the end of the second chapter the initial conceptual framework will be illustrated highlighting the relations, between the theoretical concepts previously introduced. Before the main analysis, the Ludhiana's knitwear cluster case will be presented, describing in detail both the composition and the horizontal and vertical ties that are existing. In chapter 4 the analysis will be disclosed, combining the data obtained from the interviews and secondary sources with the theories outlined in the earlier chapter. Finally, in chapter 5, the thesis will be concluded with the restatement of the research question, the outline of the main findings and of the research and policy implications.

2. Literature Review

This chapter will explore the existing literature regarding the topics of cluster and MSMEs, informalisation of labour and Corporate Social Responsibility (CSR). Firstly, I will investigate the existing theoretical literature and the main empirical studies done on the different topics, then, in the conclusion part an initial conceptual framework will be outlined stressing the interrelations between the different theoretical concepts introduced. The purpose of this chapter will provide the reader with a broad overview of the existing researches on the main variables related to this thesis and the main gaps still present.

2.1 Clusters

2.1.1 Definitions and characteristics of clusters

Clusters have long been part of the economic landscape and the concept of clustering can be traced back in Marshall's early work on agglomeration economies (1920). Marshall (Ibid), first introduced the concept of *industrial district* defining it as a "*concentration of large numbers of small businesses of a similar kind in the same locality*". Through the geographical proximity, firms, usually engaged in the same field, are in a position to share knowledge, technology, markets, labour and infrastructure, which would not be possible if the firms were operating individually. These are *localized external economies* of scale and scope obtained through cooperation that lower the costs for clustered units. Long after this contribution, the Italian scholar Giacomo Beccatini (1979 in Giuliani, 2005) compared and stressed the similarities between the producing areas of Great Britain described by Marshall and certain zones of Italy, referring to Marshall's industrial district as a '*localized social and productive thickening*'. The industrial district model, was then proposed as an alternative to the large Fordist firm, assigning his success to several interconnected meso-level factors, such as the co-

existence of competitive and cooperative behaviours, a high degree of vertical division of labour and the flexible use of skilled workers (Giuliani, 2005).

The industrial district model introduced by Marshall, represents the historical conceptual predecessor of most cluster studies. Much after, a series of theoretical and empirical studies were produced, both in the developed and developing worlds. Among the most relevant there is Porter (1998), who introduced the importance of clusters for competitiveness. Indeed, he argued that despite more open global markets and faster transportation and communication, location remains fundamental to competition, even if its traditional role differs from the past. In his work, he defined clusters as *“geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries and associated institutions in particular fields that compete but also cooperate”* (Ibid). It appears clear, that a fundamental condition for the existence of a cluster is the presence of linkages, not only between the firms but also; and more importantly, between companies and institutions. These close linkages, particularly influence productivity and especially productivity growth and, as stated by Porter, *“contribute importantly not only to efficiency but to the rate of improvement and innovation”* (Ibid). In this way, clustering of firms has the potential to promote competition in three ways: by increasing the productivity of the firms based on the area, by stimulating the formation of new business in the field and finally, by enhancing innovation. It represents a *robust (meso) organizational form*, that brings advantages like efficiency, effectiveness and flexibility to the companies been part of it (Ibid). According to Porter, while primary importance is given to the presence of close linkages, looser consideration is attributed to the social and cultural aspects. Even though, he mentioned that the presence of *“repeated, personal relationships and community ties fostering trust facilitate the information flow within clusters”* (Ibid).

While researchers like Marshall and Porter, have been focusing only on clusters in developed countries, a line of research on industrial clusters in emerging economies took off at the end of the Eighties but from a different trajectory: it grew out of the small-scale industry debate (Schmitz & Nadvi, 1999; Lund-Thomsen & Pillay, 2012). In the context of developing countries, industrial clusters tend to be dominated by micro, small and medium-sized enterprises (Sachdeva & Panfil, 2008), that see clustering as a strategy to overcome growth constraints. Therefore, in order to analyse the CSR engagement of MSMEs in the Ludhiana cluster in India, it would seem more consistent to apply developing country literature to my research. A central assumption in the literature on rising power clusters has been that MSMEs may benefit from *collective efficiency* (Nadvi, 2015). Schmitz and Nadvi (1999), defined it as *“the competitive advantage derived from local external economies and joint action”*. This model was based on the idea that static efficiency gains were

not sufficient to allow firms in rising economies to compete on a high road of development. Instead, this was possible only when firms implemented joint actions and therefore both horizontal and vertical cooperative attitudes with the other companies and with the local institutional bodies (Pyke et al., 1990 in Giuliani, 2005). MSMEs, are usually described disadvantaged in comparison with larger enterprises. For instance, they may lack of enough financial and human resources or sufficient economies of scale in order to compete in national or international markets (Lund-Thomsen & Pillay, 2012). However, through the agglomeration in industrial clusters, MSMEs can face the above-mentioned challenges. Indeed, the geographical proximity may enhance the flow of knowledge between these enterprises, thus facilitating innovation and the sharing of ideas. Moreover, MSMEs may also benefit in a passive way through the access to important inputs, like trained workers, service providers and suppliers, reducing the transaction costs at the individual firm level (Ibid). Finally, MSMEs can actively cooperate through business associations or public-private partnerships and engage in collective actions in order to solve issues that threaten the survival of clustered firms. This last aspect is particularly relevant for small and medium sized' clusters, where the collective bodies need to assume scale-sensitive functions (Porter, 1998). Local collaboration is not an obvious outcome of clustering and it needs an active intention from the local actors (Nadvi, 2015). Moreover, in order to ensure the success of these collective actions, effective forms of local governance (e.g. shared norms, local government agencies etc.) and strong institutional support are required, if not competition can undermine any co-operative actions. Schmitz and Nadvi's (1999), simplistic definition of cluster as "*sectorial and spatial concentration of firms*" seems to perfectly fit the analysis of clusters in a developing country context. This definition does not imply, that in the global south a cluster is nothing more than geographic proximity and productive specialization, but that which is present (like social linkages or institution bodies) is not subsumed by definition and it is a matter for empirical research. For instance, Porter's (1998) more classic definition of clusters, already given before, seems unsuitable for this research because in most rising power clusters the relationships between firms, are not as formal and the presence of advanced structures, like specialized providers, seem to be rare.

2.1.2 Classifications of clusters

Clusters are far from homogenous entities (Nadvi, 2015) and different classifications exist. For instance, in the context of developing countries, Sandee (1995 in Lund-Thomsen et al, 2016a) distinguishes between '*dormant clusters*', which tend to serve poor consumers and produce low-income forms or work, versus '*dominant clusters*', characterized by firms closely networked and competing in global markets. Another classification, based on the development stage reached, is the one given by Schmitz and Nadvi (1999), which instead speaks about '*incipient*' and '*mature clusters*'. The former, describes clusters that are in an early stage

of industrial development, located in low-income areas and producing with the use of simple technologies and labour skills. This notion, is also similar to the one given by Altenburg and Meyer-Stamer (1999 in Nadvi, 2015) of *'survival clusters'*. In contrast to the former ones, the mature clusters are relatively more advanced in the production technologies used and often competing in global markets. For this reason, they are also characterized by different patterns of upgrading respects the incipient ones and by higher levels of joint action (Nadvi, 2015). However, evidence from cluster studies (Sachdeva & Panfil, 2008) suggests that even in mature clusters joint action is far from uniform (Nadvi, 2015). A different kind of taxonomy is the one suggested by Parto (2008), which distinguishes between two main typologies of clusters: *'vertical integrated'* and *'horizontal integrated.'* The former consists of enterprises linked through buyer-seller relations while the latter are made of firms that share the same market and use similar technology, labour force and inputs. Another interesting classification and pertinent for this research, is the one provided by Giuliani (2016), which distinguishes clusters according to their firms' human rights engagement and explicit CSR adoption. She stylized three types of clusters:

1. *'Low-road clusters'* whose enterprises neither implement any kind of CSR practices nor respect the negative duty not to infringe others' human rights;
2. *'Window-dressing clusters'* whose firms' extensive adoption of CSR policies is merely symbolic while regularly violating human rights and
3. *'Rights-oriented clusters'* which instead are formed by firms respectful of human rights whilst conducting business operations but do or do not adopt explicit CSR policies (Ibid). In this group clusters, whose firms have not undertaken explicit CSR practices (silent CSR) but actually respect the local labor environment and their rights, are also included.

Finally, clusters are not only inhomogeneous entities but also *'far from static agglomeration'* (Nadvi, 2015) and they tend to evolve and develop over time as firms try to upgrade. Because of their changing nature, they are also *dynamic* with different winners and losers within the cluster. As cleared by Giuliani (2005), the dynamic growth of a cluster depends on its absorptive capacity, which is defined as *"the capacity of a cluster to absorb, diffuse and creatively exploit extra-cluster knowledge"*. It depends both, on the knowledge bases of its member firms and the intra and extra-cluster knowledge system (Ibid). Another taxonomy, based on the dynamism of a cluster, which means its capacity to grow over time, is presented in Giuliani's paper *"Cluster Absorptive Capacity: Why do some clusters forge ahead and others lag behind?"* (2005), stylizing three typologies of clusters: *"static"*, *"dynamic"* and *"leading clusters"*. The former, is characterized by no relevant growth over time whereas dynamic clusters are the one distinguished by a rapid and sustained growth achieved recently. Finally, leading clusters have consolidated growth trajectory. Based on the cluster

absorptive capacity and their dynamism, Giuliani (Ibid) developed a framework explaining the differentials in clusters' growth around the world.

2.1.3 Relations between industrial clusters, economic and social upgrading

Industrial clusters, have often been portrayed in the international literature review as a breeding ground of local economic development and innovation especially in the global south. The origins of the debate on industrial clusters and CSR in developing countries, began with this focus back in the early 1990s, thanks to the researches of Nadvi and Schmitz (1994, 1999). The verdict appeared to be, that industrial clusters could play an important role, in fostering industrial and economic upgrading especially in the poor regions, thanks to the clustering's ability to open opportunities for economies of scale and scope and by promoting specialization through "*small risk able steps*" (Schmitz & Nadvi, 1999). Finally, it also facilitates local joint actions to address common problems (Gereffi & Lee, 2016). However, as argued by Parto (2008), whether a cluster contribute to local economic growth depends on different factors; like its sectorial and physical location, the institutional landscape and the external environment. Therefore, it is essential to study the institutional context through which the cluster is governed from within and without; without excluding the less informal institutions, e.g. recognizable social habits, individual and collective mental models etc. Recent contributions, have stressed that more attention should be paid to the external linkages and the role played by the key external actors (Giuliani et al, 2005). In particular, Giuliani, Pietrobelli and Rabellotti (Ibid), in their study of Latin American SMEs, discovered that firms' upgrading, is affected by firm-specific efforts and by the external environment, which is characterized by the other enterprises in the cluster and the local and/or global value chains in which they operate. Specifically for them, the external environment is shaped by three characteristics: the collective efficiency of the cluster, the sectorial specificities in upgrading and innovation and the pattern of governance of the value chains in which they participate. In their paper "*Economic and Social Upgrading in GVCs and Industrial Clusters: Why governance matters*", Gereffi and Lee (2016) mention that a key determinant for economic and social upgrading in industrial districts, is the governance structure present. This last aspect is complex and it involves both public, private and 'social' actors as well as international and national forms of regulation. Usually researchers who study this phenomenon tend to focus on different levels of analysis (local or global respectively) and a more integrated approach should be used, encompassing both vertical (GVC) and horizontal (cluster) linkages. Sometimes, this can be in conflict, creating various kinds of tensions at the cluster firms level (Ibid).

In some policy circles, there is a general assumption of the existence of an automatic causal link between economic growth; brought on by the presence of industrial districts and social upgrading (Perry et al., 2006

in Pyke & Lund-Thomsen,2015) which is referred as *“the process of improvement in the rights and entitlements of workers, as social actors, and the enforcement of the quality of their employment”* (Barrientos et al, 2011 in Gereffi & Lee, 2016). Specifically, social upgrading not only involves access to better works, which can be a consequence of economic upgrading, but it also includes improving working conditions, protection and rights, thereby enhancing the overall well-being of workers and their communities (Ibid). Even if some empirical studies support this relation, like the Torreon blue jeans cluster in Mexico, other evidence points out that significant problems of the poor conditions of workers, insecurity and low pay can arise in small and medium sized clusters (Lund-Thomsen et al, 2016b). Nevertheless, labour strategies, in response to commercial and competitive pressures, can vary between a “low road” and “high road” path, depending on the type of economic upgrading pursued (Gereffi & Lee, 2016; De Oliveira & Fortes, 2014). For instance, if economic growth relies mainly on cutting of labour costs, the works created are low paid and informal, bringing social downgrading within the community. Pyke and Lund-Thomsen (2015), argued that social conditions within clusters, are influenced by different factors like state macro policies and regulations, as well as by dynamic processes of agency among key cluster governance actors e.g. employers, workers and community organizations. As stated before, also Gereffi and Lee (2016) stressed the importance of governance (horizontal and vertical, as well as private, public and ‘social’) in affecting economic and social upgrading. Specifically, they highlighted six potential pathways of social upgrading in industrial clusters and GVCs depending on the key actors involved and the main mechanisms followed. However, they suggested that in order to advance to a more comprehensive and sustainable form of economic and social growth, the presence of a hybrid system of regulation, also called *“synergistic governance”*, is necessary, where the different types of governance complement instead of displace each other.

The upshot is that there is no automatic causal link between economic growth and improvement in social conditions in developing country industrial clusters (Barrientos et al, 2011 in Pyke & Lund-Thomsen, 2015; Gereffi and Lee, 2016). Indeed, as concluded by Pyke and Lund-Thomsen (2015), economic upgrading is conducive to improving social conditions in developing country’s clusters, however, social improvement is not a necessary consequence but a more complex function depending on *“the local context in which GVCs touch down and on how small clustered firms are inserted into these chains”* (De Oliveira & Fortes, 2014).

2.1.4 Industrial clusters and CSR

With the turn of the millennium, the academic debate on industrial clusters in developing countries did not move a lot from the traditional focus of enhancing local economic development (Lund-Thomsen & Pillay, 2012). Innovation only came from more policy-oriented works, mainly driven by UNIDO, which took place on

industrial clusters and poverty reduction (Ibid). Only from 2005, a number of studies started to explore whether clusters have a role in promoting CSR among small and medium sized firms (Accountability, 2006 in Lund-Thomsen & Pillay, 2012). It appeared that both global and local factors influenced the discussion (Lund-Thomsen & Pillay, 2012); on one side, global buyers increasingly required their developing country suppliers the so-called “*codes of conduct*” to maintain their license to operate in the global markets. At the same time, local factors like, the thickening of environmental and social regulations, media reports, protests and activisms, increased the awareness of social responsible practices and put pressure on a number of third-world clusters (Ibid). Additionally, as argued by Knorrinda and Nadvi (2016), greater importance has to be given also to the concept of local and national ‘*social contract*’ within which each individual cluster is situated. With the term social contract it is meant “*the formal and informal institutional arrangements, rules and norms in a society, and refers among others to historically and culturally shaped expectations concerning acceptable social and environmental behaviour*” (Ibid). Particularly relevant for the discussion, is the theoretical model of CSR adoption and non-adoption, in developing country clusters, developed by Lund-Thomsen et al (2016b). After analysing the previous literature on CSR and industrial clusters, the authors provided an overview of the factors that enhanced or challenged the institutionalization of CSR norms in such districts. Two main factors came out: the global and local value chains in which the clusters participate and the national institutional context, where the districts are embedded. Regarding the first aspect, it is generally assumed that the incorporation of clusters in GVCs imply their social and environmental responsibility. However, this also depends on the visibility of the value chain and on the nature of the links among clusters and international buyers (Ibid). For instance, participation in regional or national value chains it is likely to indicate social and environmental irresponsibility. Regarding the second factor, the presence of strong formal rules and regulations, as well as of informal societal norms, usually facilitate the adoption of CSR norms. This is particularly true if they have been negotiated and if they reflect the consensus of government, civil society and firms at the national context (Ibid). Moreover, the implementation of independent CSR monitoring systems, done by international or local non-governmental organizations, trade unions or media outlets, usually improve the chances of CSR’s adoption. The presence of strong business associations that promote social responsible behaviours, enhance the institutionalization of CSR practices as well as the spread of normative institutions, like business schools, universities or other support institutions. Finally, settings in which regular and organized forms of dialogue between units and the external stakeholders exists, positively influence a company’s behaviour. The results from the overall debate on CSR and industrial clusters, show the clustered firm’s meeting of environmental and social standards as a complex function of both local attitudes, institutions and agencies as well as the pressures on CSR issues that permeate down the (global and regional) value chains.

Literature on industrial clusters and CSR in developing countries has been developed mainly on three major themes, respectively; more generally, work conditions more generally and poverty reduction (Lund-Thomsen et al, 2016b). Studies on CSR and environmental management, mostly investigate the role of clusters, to address environmental pollution problems and the emerging answer is indicating that clustered MSMEs have mainly negative environmental consequences, especially in labour-intensive industries like the textile sector (Blackman, 2006 in Ibid). Another debate regards the preference of pre-versus end-of-pipe treatment of environmental issues deriving from clustered MSMEs. An emerging consensus, appeared to show the introduction of cleaner technologies and machineries, which is preferable but not sufficient. Such solutions should be combined with end-of-pipe treatments such as, for instance, effluent treatment plants for leather tanneries and textile units (Lund-Thomsen, 2009 in Ibid). However, end-of-pipe treatments are not without challenges. They sometimes not only underperform, because of the lack of proper technical capacity, but also suffer of free-rider problems (Lund-Thomsen, 2009 in Lund-Thomsen et al, 2016b). Beyond environmental management, some studies explore the use of CSR activities to improve working conditions in developing country clusters. Majority of this literature, focuses on child labour concerns but mainly in export-oriented clusters (Ibid). Generally, the solution advanced in order to improve working conditions in developing country clusters, rely on the ethical guidelines or corporate “*codes of conduct*”, developed by global buyers and which directly affect workers. However, this solution is seen in a sceptical way for two main reasons. Firstly, these codes are elaborated as factory-based regulations, so only protecting workers both formal and enjoying a permanent status, which counts for only a small portion in developing country contexts. Secondly, the Western guidelines are elaborated with little or no consultancy of local producers and workers, ignoring so their needs and ways of doing things. Finally, regarding the third thematic on which the literature on industrial clusters and CSR in developing countries has been developed, a few authors have investigated the role of CSR in reducing poverty in developing country clusters. The only exception is Nadvi and Barrientos (2004) (Ibid). However, this new literature suffers from two main points; there is a need of an in-depth investigation of what ‘poverty’ and ‘development’ means and, the previous literature on the relations between business and local social upgrading/poverty reduction should be incorporated (Prieto-Carrón et al,2006).

To sum up, cluster literature provides important tools to understand the actual functioning of it and to examine intern-firm relations. Nevertheless, until now little work has been done to investigate the linkages between industrial clusters and CSR in developing country contexts (Lund-Thomsen & Pillay, 2012). Moreover, as stated by Lund-Thomsen, Lindgreen and Vanhamme in their “*Special Issue on Industrial Clusters*

and CSR in Developing Countries” (2016a), CSR and developing country cluster literature is excessively focused on export-oriented firms and clusters, ignoring the existing ties of industrial districts with local value chains. Hence, further work should be done in order to understand the role that clusters might play in fostering economic, socially and environmentally responsible business actions in rising countries. The purpose of this research is to fill in part this gap providing an empirical study from an Indian manufacturing cluster.

2.2 Micro Small Medium Enterprises (MSMEs)

2.2.1 Definitions and characteristics of MSMEs

There is no universal definition of MSMEs, which is widely accepted, and usually it varies in context across countries, industries, agencies and scholars (Inyang, 2013). MSMEs can be defined statistically, on the basis of *quantitative* criteria, and this is often based on two main factors accepted at the international level: the number of employees engaged and/or the value of the total net assets of the organization (Ibid). For instance, within the Europe Union, an enterprise is categorized as a SME if “it employs fewer than 250 persons and which has an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million” (EU Recommendation 2003/361). The ceilings between the different categories are illustrated in the table below.

Company category	Staff Headcount	Turnover	or	Balance Sheet Total
Micro sized	< 10	≤ € 50 mil		≤ € 43 mil
Small	< 50	≤ € 10 mil		≤ € 10 mil
Medium	< 250	≤ € 2 mil		≤ € 2 mil

Table 3: Factors determining SMEs in EU; Source: Growth, 2016

The foregoing definition shows that MSMEs encompasses a very heterogeneous range of enterprises from established traditional family businesses with over 200 workers to survivalist self-employed people working in informal micro firms. For this reason, the definition results ‘narrow’ and not applicable across countries, since what is labelled SME in Europe, may be considered a large firm elsewhere, for example in a developing country. In the Indian context, MSMEs are defined by their investment in plant and machinery for manufacturing enterprises; and on equipment for firms rendering services (MSME Development Act, 2006). According to the MSME Development Act (2006), a micro enterprise is when the investment in machinery

and plant does not exceed twenty-five lakh rupees, while in a small one the investment is included between twenty-five lakh rupees and five crores. In contrast, in medium enterprises, the investment is more than five crore rupees but does not exceed the ten crores. This classification regards only manufacturing enterprises.

Even if small and medium enterprises are defined in several ways, their characteristics are similar. Beyond the quantitative criteria, which vary between different contexts, there are also *qualitative* factors used in defining MSMEs that do not change between countries or industries and, for this reason, more appropriate to adopt. Some examples are, serving limited customer bases, personal management by the owner, lack of a formal bureaucratic system and so forth. Spence (1999) notes that MSMEs are companies that are characterized by a little distinction between the role of management and ownership; mainly oriented towards solving day-to-day problems and dominated by informal relations and communication style. Enderle (2004), adds that, they are also characterized by a high degree of interrelation with the community and the environment which are subject to the market dynamics and are determined by the large enterprises. It follows that MSMEs can be distinguished from large companies by characteristics such as; *independent, owner-managed, multitasking, firefighting, cash limited and informality*. So MSMEs are not simply smaller versions of traditional large companies, but detain many differences regarding ownership style, availability of resources, organizational structure and management system.

As stated in the previous chapter, MSMEs have often been described as disadvantaged, compared with larger firms, mainly because of their *limited financial and managerial resources, personnel and capabilities*. This determines that their traditional disadvantages are due to their size limitation. In general, MSMEs have overcome the barriers due to their limits in resources thanks to their astute use of alliances (Narula, 2004), and their co-location in industrial clusters. It follows that it is the *isolation* of MSMEs and not their size that may actually act as an obstacle in terms of competition (Gulati, 2012). Another limitation of MSMEs, that especially concerns the smaller ones, is the *lack of a professional management system* and a widespread *managerial inexperience* (İPLİK & KILIÇ, 2009). This is due mainly to staffing limitations (Ibid), deficiency of specialized staff and the little distinction between the role of management and ownership. However, compared to multinational companies (MNCs), smaller firms are unfettered by bureaucracy and hierarchical thinking (Ibid), enabling them to be more flexible and to have a quicker response to the changes in market demands. *Flexibility* is argued to be one of the major competitive advantages of MSMEs by Narula (2004).

2.2.2 MSMEs and CSR

Small and medium enterprises are considered the *backbone of all economies* and their predominance is seen in both developed and emerging economies. They constitute more than the 90% of the worldwide businesses and account between 50 to 60% of all employment (Vives, 2006). Moreover, Luetkenhorst (2003), notes that they form 90% of the enterprises and account for at least half of employment only in developing countries, which is also due to their labour-intensive production processes. This makes MSMEs a significant contributor to national economies, not only in terms of the employment generation but also development and growth impacts. For these reasons MSMEs engagement in CSR activities is crucial. The same Luetkenhorst (2004), argues that MSMEs are critical in supporting economic growth and livelihoods in rising economies because they,

- Are involved in more labour-intensive production processes than large firms, thus boosting employment and enhancing to more equitable distribution of income in society;
- Support entrepreneurship;
- Provide livelihood opportunities;
- Encourage the building up of systematic productive capacities and the creation of resilient economic systems.

All these aspects have been brought to a recent awakening of interest among scholars and researchers in the MSMEs-CSR discourse, especially in the developing world. In truth, in the past, the literature was mainly undertaken on the engagement of large enterprises in CSR activities due to the higher “CSR profile” (Inyang, 2013). This was done even though the aggregate contribution of all MSMEs can be considerable in size and resulting into important contribution to national economies (Ibid). This emerging literature on CSR and MSMEs has shown that MSMEs are not “little big firms” and thus should not be treated like them. Undoubtedly, the unique characteristics of MSMEs make it essential for academics to study this special form of business organization, instead of presenting generalizations based on CSR understanding in large firms. Specifically, more attention is required to understand the specific contributions of MSMEs in relation to CSR, especially in developing countries, where the firm’s features and structure often differ from industrialized countries (Jamali et al, 2015). For instance, in emerging economies small and micro firms tend to exhibit orientation towards basic social and environmental functions and usually this behaviour is considered as a way of filling “*government gaps*” (Visser, 2008 in Demuijnck & Ngnodjom, 2013). Because basic needs are not covered by the weak and sometimes corrupt governments, MSMEs take over this responsibility, willing to contribute to the development of their community (Demuijnck & Ngnodjom, 2013).

To date, the discourse on CSR and MSMEs in developing countries has mainly pointed out to the positive affinities of SMEs to CSR (Jamali et al, 2015). This is mainly due to the stronger position where the owners have in their firms and their power to imprint their personal ideologies and views throughout the organizations (Ibid), which in turn is mirrored in their implemented CSR agenda. This is also showed by the empirical study of Vives (2006), on CSR implementation in Latin American SMEs and by the UNIDO's study report on seven geographical cluster in the developing world (Sachdeva, 2008). They both found out that SMEs' level of social responsibility mainly depends on the personal values of the owner-manager and on their closeness with the workforce and local community (Vives, 2006; Sachdeva & Panfil, 2008). MSMEs tend to be strongly embedded in their society and generally closer to their workforce than bigger firms (Jamali et al, 2015). However, despite this characteristic, in the literature of MSMEs and CSR there is an over representation of manager's and owners' perspectives at the expense of employees (Ibid). Research also points out that MSMEs primarily tend to implement informal CSR practices (Ibid; Vives, 2006; Tran & Jeppesen, 2016), and this is in turn, was reflected in a not-systematic translation of these actions into the firms' corporate strategies (Vives, 2006). In truth, as argued by this author (Ibid), SMEs involvement in CSR is usually not only informal but also "*gradual, almost imperceptible and focusing on one issue at a time*". For this reason, possible strategies for fostering CSR engagement in MSMEs in developing countries should be as simple as possible and not be imposed (Ibid). Nevertheless, apart from this trend of portraying a positive affinity between MSMEs and CSR in the developing world, there is another recent tendency in the literature which pictures MSMEs as socially and environmentally risk-prone enterprises (Jamali et al, 2015). For instance, in this respect, some authors perceive joint actions CSR initiatives as another form of "*SME green washing*" where firms try to portray themselves as socially responsible at the eyes of the public without knowing if these activities make a positive contribution to the local welfare (Ibid; Lund-Thomsen & Pillay, 2012). In truth, the explicit CSR adoption may say very little about the actual responsible conduct of firms, especially in a developing world context, and this is also demonstrated by the study of the Jalandhar cluster in India by Jamali, Lund-Thomsen and Khara (2015) where they discovered that SMEs were behaving responsibly and irresponsibly concurrently. Particularly, local clustered firms stay coupled and legitimated at the eyes of the external stakeholders through joint-action CSR initiatives focused on high visible issues; for example, child labour, while not complying with the demand for other human and labour right issues (Ibid). This phenomenon is described as "*decoupling*" or "*loose coupling*". Another recent contribution to this debate on small businesses' irresponsibility in the developing world, is provided by the empirical research of Soundararajan et al (2016) on the Tirupur cluster in India. In their paper, the researchers went a step further explaining the conditions under which small enterprises evade the institutional demand coming from the national regulation and the global buyers. This "evasion" of institutional works, take three main forms:

1. *“the undermine of values and assumptions”*, where the managers disrupt institutional demands by employing a variety of practices that weaken the core values and beliefs of those institutions;
2. *“the dissociating consequences”* under which the owners destroy the institutions through the creation of a negative image of the associated actors or by emphasizing their actions; and finally
3. *“the enhancement of their political autonomy and strength”*, done through a variety of elimination strategies (Ibid).

The context then seems to be vital in this debate and particularly how the relevant institutional and contextual factors mediate CSR expressions. However, as argued by Jamali et al (2015), in a developing country context the traditional discussion on how institutional constellations have a deterministic constraining influence in the adoption of CSR practices by MSMEs need to be revisited.

Given this scarcity of research, where moreover the existing works tend to focus on *‘what MSMEs should do regarding social responsible activities’*, following on what large firms implement, this paper contributes to fill the gap, examining MSMEs *‘in their own right’* and pointing to the informal approaches of small firms to CSR in a developing context. Furthermore, the research will move beyond a firm-centred analysis including on-the-ground perspectives of trade unions, government officials etc., hence underlying the importance of how the institutional constellations, independently from their formality, affect MSMEs’ engagement in social responsible activities.

2.3 Informalisation of labor

2.3.1 Definitions and debates on informality

Nowadays a renewed interest on the informal economy has appeared worldwide, mainly because a large share of the global economy and labour force is informal and because of its growth in many contexts and its appearance in new guises (Chen, 2012). However, an early discussion of economic informality started back in the seventies and eighties, where the debate was mainly focused on definitional and conceptual controversy. It is believed that the British anthropologist Hart coined the first definition of *“informal sector”*, during his study of urban labour markets in Ghana (Hart, 1973). Even though, one of the most quoted definitions is the one given by Castells and Portes (1989), which describes the informal economy as *“a process of income-generation characterized by one central feature: it is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated”*. Following the ILO (International Labour Organization) terminology, instead, economic informality can be described in terms of three central concepts:

1. The “*informal sector*”, which refers to both the production and employment in unregistered firms;
2. The “*informal employment*” that focuses on the employment not protected by regulations, whether in formal or informal enterprises, and
3. The “*informal economy*”, which covers all the activities, firms and workers that operate outside the legal regulatory framework of a given society (Meagher, 2013).

From these definitions, it appears clear that the informal economy is highly heterogeneous (Chen, 2012). Yes, referring only to the workers employed in the informal economy, Ralf Hussmanns (2004) gave us a useful framework, dividing the broad group between ‘*persons employed in the informal sector*’ and ‘*persons in the informal employment outside the informal sector*’. The first category comprises all employment in unregulated firms (including owners, employees, self-employed persons etc.), while the latter includes employees in regulated firms without social protection, workers in households not covered by social security schemes and family workers in formal enterprises. In this paper, the focus will be on this second category of the informal employment.

Informal employment or informalisation of labour has caused worldwide renaissance from the beginning of the seventies until the end of the nineties (Mezzadri, 2010). The increase of informal work was initially attributed to the end of the so-called “*golden era*”, characterized by a stable growth trend (Chen, 2012). However, this explanation seems incompatible, because it excluded the presence of the informal economy during the time of economic growth when both the formal and informal sectors were expanding. Recently, two different approaches for the explanation of the growth of the informal employment have been developed: the “*overregulation-centered theory of informalisation*” and the “*neoliberalism-centered approach*”. On one hand, the first approach, mainly associated with the work of the Peruvian economist De Soto (1989, 2000 in Chen, 2012) takes into consideration the institutional context and it is based on the idea that informalisation is just a reaction to the “*excessive distortions caused by government interference in a market economy*”. In other words, informalisation processes reflect repressed entrepreneurships that cannot operate in the formal sector, due to the high transaction costs necessary. This model, however, presented some issues. Indeed, it overlooked some major facts regarding the historical conditions in which informalisation has taken place. For instance, government regulations in rising economies (specifically regarding labour markets) have been diminished in the past two decades while informalisation has risen. Consequently, the reasons to evade government’s laws should have also declined and the informalisation practices as well. On the other hand, the “*neoliberalism-centered approach*” connects the rise of informality to the spread of neoliberal political practices in the late seventies, which mainly consist in the implementation of a free-market capitalism and the reduction of government interventions (Mezzadri,

2010). These policies brought to a slower economic growth, which in turn reduced economic opportunities, and the pressure to offer decent jobs. In this way, the process of informalisation is seen as a “*vicious cycle*” (Ibid) where informal work arrangements flourish when workers have few alternative economic opportunities. Indeed, the spread of informalisation will put down wages and working conditions of formal jobs, letting become what had once been formal jobs progressively informalized over time.

In developing countries, the importance of social regulation of labour started being studied in the seventies, when the informal sector was ‘discovered’ (Mezzadri, 2010). Lately, four dominant schools of thought developed, underlying different perspectives regarding the informal economy in the global south. For Hart (1973), and the “*Dualistic School*”, the informal economy is comprised of marginal activities which are not directly related to the formal sector and which provide income for the poor. In this case “*informality is a by-product of poverty*” (Rauch, 1991 in Chien, 2012) and a consequence of the emargination of developing countries from the process of capitalist transformation (Hart, 1973). Instead, the supporters of the “*Legalist School*” see the informal economy made up of ‘brave’ firms who choose to operate in an unregulated environment to avoid costs, time and effort of formal registration (De Soto, 1989 in Chen, 2012). This school sustained the “*overregulation-centered theory of informalisation*”, previously explained, highlighting how the presence of a hostile and bureaucratic legal system mainly directed to “*inward looking domestic policies*” pushed the economy to become “*underground*” (Ibid). Both these approaches were criticized by authors like Castells and Portes (1989), that see the informal enterprises in developing countries as subordinated economic units and informal workers as means to reduce labour costs of large capitalistic firms. Particularly, this view is also known as the “*Structuralistic School of Thought*”. Finally, there is the “*Voluntarist School*”, which was introduced quite recently thanks to Maloney (2004 in Chen, 2012). Like the “*Legalistic School*”, he sees the informal economy as comprised of firms who voluntarily choose to operate informally, to avoid taxation, however, he does not blame the legal system and the cumbersome registration procedures (Ibid). Instead, he sustains that informality is an intentional choice of the enterprises in order to enjoy the benefits related (Ibid). Given the heterogeneity of the informal economy, it is important to give merit to each of these schools of thought, because each approach reflects one part of the informal economy. For this reason, a “*Holistic Model*” of the composition and causes of informality was presented by the Latin American division of the World Bank in 2007 (Perry et al., 2007 in Chen, 2012). Particularly regarding the composition of informality, the authors identified “*three pairs*” of economic agents, which are *labour*, *micro-firms* and *firms* (Ibid). The *labour* economic agent is comprised of those informal workers, who cannot afford to get a formal job because ‘characterized’ by insufficient human capital and by those who quit a formal job to enjoy the benefits of informality, such as avoid taxation, make more money, enjoy flexibility etc. *Unregulated micro-*

firms, instead, are characterized by those small enterprises that are stymied by high entry barriers or the ones that have no potential to grow hence no intention to engage with the state. Instead, *informal firms*, are the enterprises who avoid taxation or other regulations, and the firms that register, but only partially, their income or employees.

2.3.2 Informality and CSR

Informal employment has characterized the era of neo-liberal globalization especially in the developing countries. Indeed, globalization and the increase in international trade have affected the industrial trajectories of transition countries producing a crescent disconnection between the management of production and the regimes of labour control (Mezzadri, 2010). While the production processes have been projected into the global arena, labour regimes seem to have maintained a strong embeddedness to regulatory frameworks provided by local social structures and gone through an increasing process of casualization and informalisation (Ibid; Mezzadri, 2012). This process of informalisation, as described by Mezzadri (Ibid) involves a “*systematic exploitation of informal mechanism to control the labour force, based on deeply-rooted inequalities and structural differences, like gender, age, geographical provenience etc.*”. Particularly, this process of labour informalisation entails two main paths: the ‘informalisation of the formal’ inside global firms and the incorporation of informal production and labour structures into bigger manufacturing circuits, through decentralization processes (Mezzadri, 2016a). The first dynamic, on which this paper will focus the attention, consists in the change of more stable and formal labour structures into precarious work alternatives. These trends affect both domestic and export-oriented manufacturing sectors (Ibid) and since the garment industry is a labour-intensive sector, it is highly characterized by this phenomenon.

Concerns of CSR, especially in the form of codes of conduct, have been elaborated as a potential way to face this “*race to the bottom*” for labour and set given global labour standards. However, as showed in different studies (Mezzadri, 2012; De Neve, 2014), these codes had a limited impact on improving working conditions or even opposing results to those initially expected. The main reason for this failure is due to the clash between “*codes of conduct*” and the effective “*codes of practice*” imposed by the firms and local actors. The “*codes of conduct*”, take the form of factory-based regulations and propose the imposition of global labour standards for workers in the production nodes of GVC. These standards are significantly shaped by the “*codes of practice*” which are elaborated instead by the companies to guarantee labour control and cost minimization. As suggested by Kabeer (2004) the main pitfall of many CSR labour norms rely on their factory bias (in Mezzadri, 2014b). These codes are elaborated as factory-based regulations and so exclude all workers

in non-factory realms of production. They are also developed to only target a workforce enjoying permanent status. Unfortunately, both formal and permanent labour relations are rare in the setting of small-medium sized clusters in developing countries, where the clear majority of workers are temporary and casual or occupied not in a factory realm base (Barrientos et al, 2010 in Mezzadri, 2014b). Looking at the Indian garment industry, which is the focus of this research, it is characterized by high levels of fragmentation and localization of production in industrial clusters (Ibid). This structure is simplified by the comparison proposed by Mezzadri (2014b), who reimagines the Indian garment industry as a 'giant mall' described by different floors, each specialized in selling distinctive garment collections. Particularly, each floor represents a different regional production centre which is characterized not only by distinctive product and production specializations but also by different local sweatshop regimes of production (Ibid). Here, local sweatshop regimes are defined as "*manifestations of the 'sweatshop' [...] entailing a specific set of local labour relations and outcomes*" (Mezzadri, 2014a). It then results that the production of each garment commodity is also linked to specific working conditions and rhythms, hosting different classes and genders of labour (Ibid; Mezzadri, 2016b). For instance, Mezzadri (2014a; 2016b), found out that in Northern India, where niche and women's wear is produced, factory-labour is predominantly characterized by male migrants (mainly from UP and Bihar), while different feminised non-factory realms of production are employed for value-addition. Instead, across Southern India, garment centres are defined by striking diverse sweatshop systems. Here, where mass-basic items are produced and product-cycles are less fragmented, the sweatshop deploys mainly low-paid female factory workers (Ibid). These different local sweatshop regimes, which are strategically employed by local firms to minimize labour costs and risks (Ibid), in turn make the "*universal approach*" to labour standards proposed by CSR norms as 'useless' (Mezzadri, 2014b). For this reason, many Indian clusters work as '*informal production regimes*', where informality and labour-intensity are systematically reproduced for attaining flexibility advantages and a successful incorporation in GVCs (Ibid). In this sense, poor working labour conditions become an outcome imposed by capital onto labour and not simply by 'global' onto the 'local' (Mezzadri, 2014a). This aspect is successively highlighted by the recent rise of processes of back shoring, in India (done by a powerful group of Pan-Indian buyers/exporters), which further reinforces the regionalization of production and consequently the resilience of local sweatshop regimes, hence additionally institutionalizing the limitations of CSR norms on labour standards (Ibid). For these reasons, studies on GVCs and production networks have stressed the need to develop labour rights agendas which take in consideration local institutions and specificities; and not simply focusing on one-size-fits-all approach (Mezzadri, 2012; Mezzadri, 2014b).

Another aspect, that is a hurdle for the implementation of CSR norms in the global production circuits, is the use of labour-intermediaries, also called by Barrientos (2008) as the “*Achilles hell*” of CSR norms (in Mezzadri, 2016a). Indeed, the mechanisms through which precarious working conditions are reproduced both in formalized and informalized settings are mainly due to the presence of a category of actors called “*labour contractors*” (Barrientos, 2013 in Ibid). These actors shape the labour chains in a ‘cascade system’ making so more complex a direct control, and implementation of CSR norms (Ibid). While the methods of informal workforce recruitment in India vary a lot, depending for instance on the geographical location or the sector, the presence of labour intermediaries seems a constant (Ibid). The main reason, why firms prefer to use labour contractors, is the flexibility advantage they reach through intermediation practices, giving them the ability to thrive on a workforce that can increase and decrease as required (De Neve, 2014). Two main contracting labour dynamics are seen: while the first is operating in factory settings and involve the recruitment of workers in exchange of a commission, the second is taking place outside factory realms of production and consist in the organization of auxiliary economic activities. Castells and Portes (1989), respectively define them as “*in-contracting*” and “*out-contracting*” practices. In-contracting practices, still mediate the recruitment processes of an important part of Indian workforce (Srivastava, 2005 in Mezzadri, 2016a) and in-contractors primarily perform a function of “*intermediation aimed at disguising the wage relation*” (Mezzadri, 2016a). Contrary, out-contractors’ function is not only of mediation, but also of organization of specific activities of the production process. Mezzadri (2016a), in her study of out-contracting practices in the home-based embroidery industry in Bareilly, India, discovered that workers’ precariousness is not due to the simple intermediation process but also to the interlocking strategies of labour and credits implemented by the contractors. In this way, while the simplistic policy of cutting the middlemen could work for labour in-contracting, it results an inadequate in relation to out-contracting.

Finally, an additional condition shaping the function of CSR norms in the Indian context, is the *labour agency* in the form of worker’s everyday decisions around employment, livelihoods and social reproduction (De Neve, 2014; Carswell & De Neve, 2013). Indeed, even if CSR interventions in the form of codes of conduct are developed to reshape production processes and protect workers, labourers’ voices and preferences regarding employment and work regimes are hardly took in consideration in such debates (De Neve, 2014). For instance De Neve (2014), discovered a workers’ tendency to avoid employment in companies where CSR policies are implemented, due to deliberate choices to work in more flexible, casual and informal settings. This is mainly a consequence of two factors such as their livelihood needs, which are highly gendered and change along life cycle and migration status, and their sense of independence and dignity at work (Ibid). To conclude, it appears clear from the overall discussion on informality and CSR that, the limited impact of CSR

norms in improving working conditions in the Indian context is twofold. Firstly, CSR's universal approach aimed at solving issues in a country characterized by a great diversity and fragmentation of production and labour solutions, is ineffective. Secondly, their formulation with little if any consultation with local producers and workers ignores and devalues local traditions and ways of doing things, making them useless.

2.4 Corporate Social Responsibility (CSR)

2.4.1 Definitions, characteristics and perspectives of CSR

Like MSMEs the concept of Corporate Social Responsibility (CSR), is not amenable to a universally accepted definition. CSR has a long history and the concept has evolved with the development of businesses and the emerging needs of the society. CSR, also called corporate citizenship, social performance or sustainable responsible business consists, generally, of *"the responsibility of firms for their impacts on society"* (Commission of the European Communities, 2011). One of the most frequently cited definitions is the one provided by the European Commission (2001), which explains CSR as *"a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis"*. The aspect of voluntariness seems blurred especially if applied to the developing world context. This definition assumes the existence and presence of strong national social and environmental legislation. This might be the case of Western Europe or North America, but in the context of developing countries it cannot be counted for granted. Moreover, debating if firms operating in rising economies should go beyond their legal obligation and implement voluntary initiatives, which are not seen as having immediate economic returns, makes little or no sense. Indeed, the challenge in developing countries seems to get firms meeting basic legal obligations, before hoping to implement voluntary actions. For instance, looking at the Indian context, the recently formulated 'Companies Act, 2013' mandates all firms to spend 2% of their net profit in CSR activities, if their net worth is superior of 500 crore rupees during any of the previous three financial years. This, for instance, excludes the *"voluntary basis"* aspect of CSR actions. For these reasons, it seems more appropriate for the context of this research the broader definition given by Blowfield and Frynas (2005), which encompass the different perceptions on CSR activities from North to South. They define CSR as *"an umbrella term of variety of theories and practices all of which recognize the following:*

- a) That companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance;*
- b) That companies have a responsibility for the behavior of others with whom they do business (e.g. within supply chains); and that*

- c) *Business needs to manage its relationship with wider society, whether for reasons of commercial viability, or to add value to society” (Ibid).*

Empirical studies done in developing countries show different kind of classifications regarding categories of CSR activities undertaken by MSMEs. The first one consists of the distinction between *formal* and *informal* practices (Tran & Jeppesen, 2016). The former practices include actions like occupational safety and health, labour standards, working and environmental conditions. The latter ones, instead, cover a more broaden area and can be characterized by the more disparate actions. Some examples are loans provided by the management to the workers, the provision of extra holidays for family or religious events and philanthropy contribution by MSMEs to local community groups or associations. This distinction between informal and formal CSR practices suggests the main drivers within which CSR establishes itself in MSMEs, which can be *internal* versus *external* factors (Von Weltzien Høivik & Shankar, 2011). For instance, informal kind of practices are usually driven by internal factors like the ethical and religious values and principles of the owners or management. On the other side, formal actions are usually imposed by pressures coming from the external stakeholders, such as global buyers, governments or the civil society and then enforced using certifications and regulations. Another classification given by the literature, regarding categories of CSR activities undertaken by cluster-based MSMEs, both in developed and developing world, are: *internal*, *external* and *collective* CSR actions (Sachdeva & Panfil, 2008). With internal activities, it is referred those actions conducted within the firm that have a direct impact on the working conditions, while external CSR are those actions benefiting the outside environment. Finally, for collective CSR are intended those actions conducted jointly with either other cluster firms or supporting organizations. Another distinction is the one given by Matten and Moon (2008), which distinguishes between *explicit* and *implicit* CSR. By explicit CSR they refer to those responsible business policies, which are undertaken “*for some societal interests*” and they normally consist in voluntary actions that rests on corporate discretion (Ibid). With implicit CSR, instead, they refer “*to corporations’ role within the wider formal and informal institutions for society’s interests and concerns*” (Ibid). These actions are a result of compulsory requirements, usually also codified, imposed to the firm to address stakeholder issues. The predicting nature of CSR actions undertaken relies on the specific institutional framework of the country (Ibid). Indeed, liberal market economies, which encourage individualism and discretionary agency, will be mainly characterized by explicit CSR practices, while coordinated market economies, which for instance characterize the European governance system, will be described by more implicit CSR actions.

Not only different definitions and classifications of CSR exist, but also different perspectives on this argument, especially when those practices are implemented in the developing world. For example, emerging literature have started to approach a more critical viewpoint of CSR actions undertaken by MSMEs in the South, considering the CSR agenda as a way of '*Western cultural and economic Imperialism*' imposed by the global buyers (Khan and Lund-Thomsen, 2011). Particularly, in their study done in the soccer ball industry in Sialkot, they discovered that local manufacturers were forced to implement Western-based CSR activities without sufficient forms of economic assistance by their international customers (Ibid). In this way, local manufacturers perceived CSR as "*a tool for extracting further economic surplus*", which could please the Western public but does anything to improve economic conditions of local firms (Ibid). Moreover, in the development and determination of these practices, local companies have no power of decision and for this reason CSR initiatives are perceived as a form of cultural imperialism where local values and traditions are marginalized in favour of Western 'superior' ideals (Ibid; Dolan, 2010 in De Neve, 2014). A possible solution to these CSR challenges in developing world is moving from a "*compliance-based approach to a more commitment-based approach*", where CSR norms are not ordered by the buyers' code of conducts but seen as an outcome of information exchange between local suppliers, workers and communities (Ibid). Another critical perspective on CSR argues that joint-action CSR cluster initiatives are primarily "*SMEs' greenwashing*" (Lund-Thomsen & Pillay, 2012). Following this tendency, MSMEs and clusters attempt to portray themselves as socially responsible actors at the eyes of the external stakeholders and the public, with little or no evidence to contribute to local economic, social and environmental welfare (Ibid). An example is given by the empirical study of Jamali et al (2015), in the football manufacturing industry of Jalandhar in India, where the findings illustrate how firms gained credit by focusing on high visibility CSR issues while continuing to overlook some specific dimensions of CSR. Finally, in the last decades, the literature on corporate social responsibility has taken a 'political turn' with the birth of the term 'political CSR' (PCSR). This political aspect of CSR is interpreted, on one hand, as a corporate attempt to close governance gaps present at the national or global level; and, on the other hand, it is related with the changing role of state agencies and the following redistribution of governance tasks between public and private actors (Scherer et al, 2016). As a matter of fact, during the past decades, globalization and the following privatization of governance have brought business firms to engage in activities traditionally regarded as governmental actions (Scherer & Palazzo, 2011). This aspect is especially true for multinational corporations, but it has been seen that mainly in developing countries even smaller firms have begun to assume a "*state-like role*" as a way to plug 'government gaps' (Ibid; Demuijnck & Ngnodjom, 2013). This political aspect of CSR considers the specific context and it usually occurs in cases where the state system fails and basic needs are not provided by weak or corrupted governments (Demuijnck & Ngnodjom, 2013). Related to this phenomenon, several authors

conclude that the famous Carroll's pyramid of Corporate Social Responsibility (1991), which rank economic obligations as first, followed by legal, ethical and philanthropic duties, should be reversed in developing countries (Demuijnck & Ngnodjom, 2013).

2.5 Initial conceptual framework

After having introduced the literature review by me, the purpose of this section is to sketch and illustrate the relations between the theoretical concepts presented in this chapter. A conceptual framework is necessary and considered a better solution than a theoretical framework. Indeed, in this case I "synthetize" the existing views in the literature, both from theoretical and previous empirical findings, in regard of a given situation or problem addressed (Imenda, 2014). On the contrary, a theoretical framework is the application of one unique theory to explain one precise phenomenon (Ibid). In the case of social sciences research, there is no single theory that can shed some light on a particular event and that is why a conceptual framework was preferred. This abstract framework can then be modified through concrete data collection and analysis, that is in line with the abductive moderate social constructivism approach, which has also been used in gathering and analysing the data. Figure 1 below shows the initial conceptual framework that I elaborated to conceptualize the links between CSR, clustered MSMEs and informalisation of labour and which will enable me to analyse how CSR implementation and perception is shaped in the Ludhiana knitwear cluster.

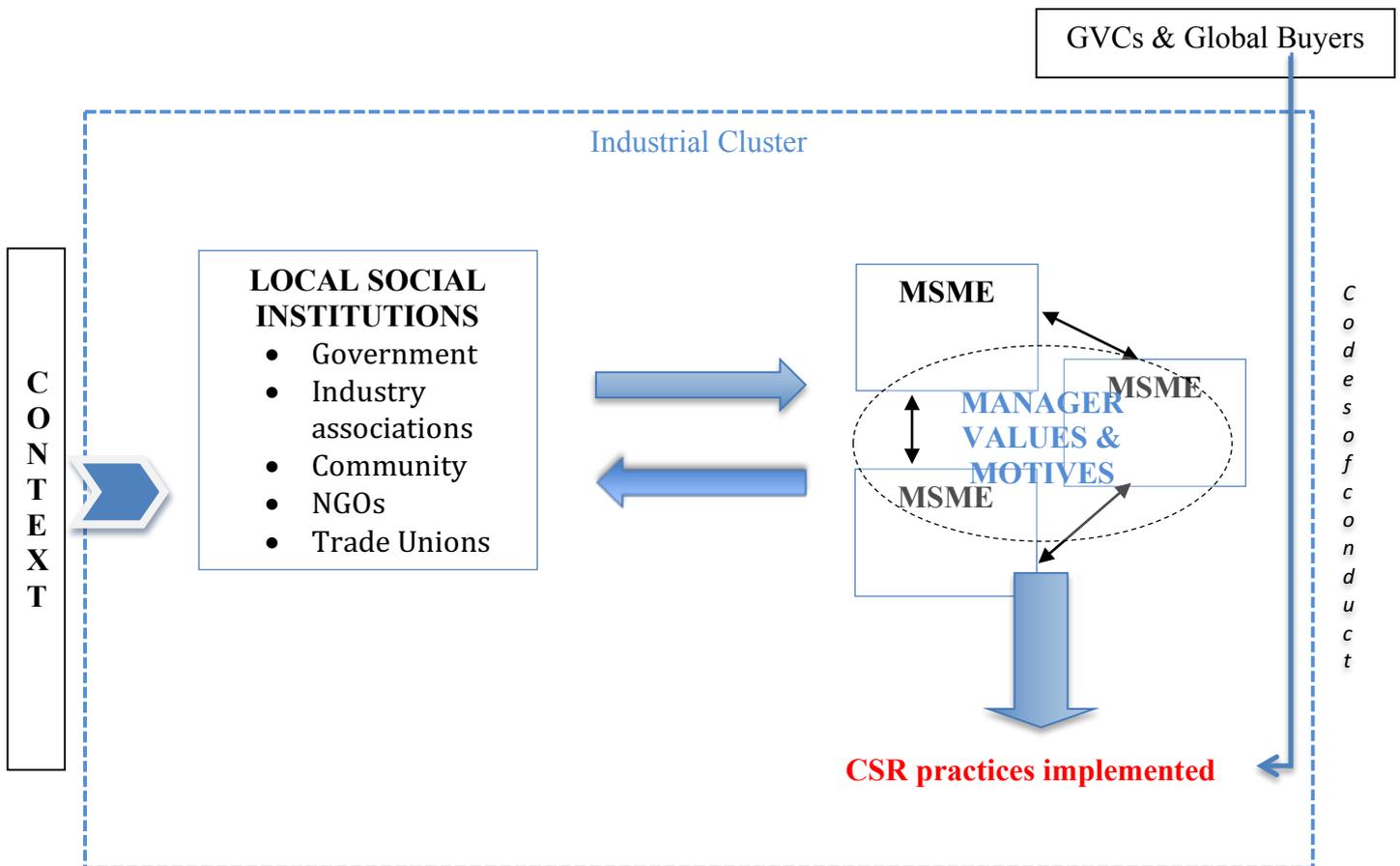


Figure 1: Initial conceptual framework. Source: the author

In developing countries, MSMEs tend to be clustered in order to overcome growth constraints and to compete both in local and global markets. Inside the industrial clusters, MSMEs not only interact between themselves but they also interact with external stakeholders like business associations, government institutions or suppliers. These different local institutions, affect MSMEs and their practices and consequently, they also affect their involvement in CSR practices. The principal local social institutions directly related to the implementation of CSR practices by MSMEs are; the government with their law and regulations, the industry associations with their set of standards and codes of conduct and lastly, the civil society, NGOs and trade unions, which affect their involvement in CSR depending on their 'power and voice'. Apart from local cluster dynamics, there are also global pressures that tend to affect MSMEs and that drive the implementation and institutionalization of CSR in clustered micro, small and medium enterprises. GVCs and the global buyers, with their increasing request to their suppliers to implement economic, social and environmental guidelines in the form of codes of conduct, are part of them. However, there are also strong internal factors that influence companies to pursue CSR. In the case of MSMEs, these are mostly linked with the motives and values represented by the owner/manager. The cluster, is then characterized by historical, political, economic and social peculiarities, which influence the way the CSR agenda will be implemented.

One social peculiarity, characterizing in specific developing countries, is the high level of labour informality. This peculiarity, not only affects the production but it also seems to entail different processes of informalisation of social responsibility, especially over health and safety concerns.

3. Case presentation

Before examining the empirical data, in relation to the research question posed, I have decided to examine the Ludhiana's knitwear cluster, investigating in detail its characteristics, composition and the horizontal and vertical linkages, present in order to provide the readers with a brief overview of the case study.

3.1 Brief overview of the Ludhiana's knitwear cluster

Ludhiana, is an important textile-manufacturing cluster located in Punjab, India, and it is considered the most significant at the national level for the acrylic/woollen knitwear production (ACDS, 2014). It is estimated to corner nearly 90 per cent of the national market for woollen knitwear products (Sachdeva & Panfil, 2008), and that is why, it is also called "*the Manchester of India*" (28.04 Third Interview, 2016; reference 10). Even if Ludhiana is mainly known for woollen knitwear, the cluster produces also summer clothing. This change happened in the post eighties when the eruption of a new generation of entrepreneurs also decided to expand their product mix to summer wears (ACDS, 2014). However, as stated by most of the respondents, the production is still seasonal and, while during wintertime the units usually process "summer fabrics", in summer the production works oppositely to the production in winter. As explained by the owner of a dyeing unit "*December to April it's mostly summer production [...] while around June to October/November we process winter fabrics*" (27.04 First Interview, 2016; 2).

Regarding the products, they range from high-fashion garments, mainly destined to international markets, to lower quality and cheaper clothes. Compared to the Tiruppur's cluster, the most famous one in India for the cotton knitwear production, the Ludhiana's one is mostly catering to the national market and, as stated by Uchikawa (2012), nowadays it mostly monopolizes the winter production for the Indian market. Few export-oriented units are present, and their share respects the total turnover in Ludhiana amounts to only the 25 per cent (Ibid). This is also pointed out by the outcomes of the interviews. Between all the respondents, only two units are also exporters and the main markets resulted in the Middle East countries (27.04 Third Interview, 2016; 2) and Europe, USA, Australia, Canada (28.04 First Interview, 2016; 1). The product portfolio of the units varies a lot. Apart from clothing and accessories, like "*saari, anarkali suit,*

lehanga, ghagra, kurtas, skirts and gilet" (29.04 Third Interview, 2016; 1), "*scarf and shawls*" (28.04 First Interview, 2016; 1) and "*t-shirts, sweatshirts, lower parts, track-suits*" (28.04 Third Interview, 2016; 1), bedding and curtains are also manufactured. These are differentiated by market segments, which in turn exert distinctive pressures to the enterprises. As stated by Meenu Tewari (1999) and confirmed by the researcher's field interviews, five key market segments can be identified:

- the government procurement (a low cost and high volume market segment);
- the low-end mass market, characterized by low quality and prices;
- the middle mass market, with competitive prices and a concern for quality;
- the premium "high fashion" domestic market (which usually supply domestic upper-end brands) and
- the export segment.

Obviously, the customer requests vary and the exporter units are more focused on "*quality and delivery time*" (28.04 First Interview, 2016; 2) and, as for the domestic producers pricing is also relevant.

Regarding the direct and indirect employment of the cluster, it is estimated that in the year 2009/2010 the industry was giving work to around 400.000 people (MSME DI, 2010). However, there can be a large variation in this figure because a lot of the micro and small units, are not registered (ACDS, 2014) and so the number does not take account of all the people working in the informal sector. Approximately, micro units are the most spread in the cluster and they provide employment for up to 54% of the workforce (Ibid). However, small and medium enterprises offer work respectively to 22% and 14% of the total labour (Ibid).

On the geographical spread of the cluster, the main hosiery knitting centres are located within Ludhiana city only and the cluster can be divided in four main blocks (ACDS, 2014; FMC, 2016):

1. *The Focal Point;*
2. *Tajpur Road;*
3. *Industrial Area and*
4. *Bahadur Ke Road.*

The three major areas of concentration for the dyeing units, as stated by one respondent (26.04 First Interview, 2016) and confirmed by the Diagnostic Study Report provided by FMC (2016), are Focal Point, Tajpur Road and Bahadur Ke Road. The main differences, as explained by the same interviewee, regard the market segments that they address; "*...while Focal Point is focusing on the brand and it has a little higher [...] segment, Tajpur mostly [...] are doing very cheap, lower quality. [...] Instead Bahadur is doing both*" (26.04 First Interview, 2016; 1).

Around 14.000 registered MSMEs form the cluster (Anon, 2016; ACDS, 2014) of which 9800 (around 70 per cent) are micro units, 2800 are small and 1400 are medium size firms (Sameeksha, 2011). Ludhiana's knitwear cluster is a *highly diversified industrial base* and even if the knitwear manufacturers are at the core of the value chain, other kind of units also give significant contribution toward the cluster activities. The core cluster actors directly involved in the garment (knitwear) manufacturing process are:

1. The *dyeing and processing units* that are about 200/250 in number;
2. The *printing units*, around 100/125 firms;
3. The *knitting units*, which consist of around 8000 enterprises;
4. The *sub-contracting garment units*, which are engaged mainly in stitching and tailoring tasks and are counted about 3000 in number and
5. The *embroidery units*, more or less around 1250 firms (ACDS, 2014).

Besides the 'real' manufacturing firms, there are also independent job workers that knit or process the garments for other firms in informal settings; this grouping includes also hundreds of female home-based workers who do embroidery and related works (Gulati & Dhanda, 1997 in Tewari, 1999). Finally, the cluster has a network of distributors, traders, exporters and ancillary units as well as several support institutions (Tewari, 1999). When the respondents were asked to list the major organisations present in the cluster, apart from the industrial units, different type of answers came out. I noticed most of the firms when directly inquired on the composition of the cluster and the nature of the organizations present, declared that "*No NGOs, no governmental officials, no business associations*" (26.04 Second Interview, 2016; 2) exist. As well, the owner of a micro embroidery unit stated: "*No relations [...] with government offices and NGOs are present. No trade unions exist for us*" (29.04 First Interview, 2016; 1), underling that even if an institutional set-up is there, is perceived as not active. However, through indirect questions, like "*Do you, as a MSME, get support from any institution?*" or "*Do you work with any other enterprises or institutions in a collective CSR initiative?*", I was able to get a general profile of the Ludhiana's cluster. It came up that the major 'actors' existent and excluded in the value chain can be categorized in three main groups, that are industry associations, training institutes and the governmental set-up. Also, NGOs, financial institutions and trade unions are present but to a lesser extent. What seems relevant to highlight, from my point of view, it is that even if a 'flourished' institutional set-up is present, it is perceived absent/not active by most of the units, especially when supporting them. A part from the previous quotations, other ones explicitly declared: "*The attitude of government is not good towards SMEs in the industry*" (28.04 Third Interview, 2016; 1) or "*No government schemes to support us [micro enterprises] are present.*" (29.04 First Interview, 2016; 1) and finally "*We would like to have more protection from the government!*" (29.04 Third Interview, 2016; 1). The institutional actors, which I accessed to be the most relevant for the study, are:

- MSME-Development Institute (MSME-DI);
- District Industry Centre (DIC);
- Punjab Pollution Control Board (PPCB);
- Industrial Training Institute for Women (ITI Women) and
- Apparel Export Promotion Council (AEPC).

Below a brief description of each organization and their aims will be given.

MSME-DI

MSME-DI is a government of India institution, which is dedicated to the support of the small sector. The institute, apart from providing *“30 schemes of development for industries and firms in this area [...] Technological and commercial kind of schemes”* (25.04 Third Interview, 2016; 2), also offer training support to the industry and conduct entrepreneurship development programs (ACDS, 2014). As stated by one employee interviewed, *“not directed related [schemes] to CSR are present [...] but regarding environmental concerns, we have ISO 14001, which is a global standard system”* (25.04 Third Interview, 2016; 3). The ISO 14001 standards help organizations to minimize their environmental impact. Another important scheme is the Technology and Quality Upgradation support to MSMEs (TEQUP): *“SMEs are encouraged to upgrade technology, use of pollution control system. In this case, the 15% of the total investment done is refunded to them”* (25.04 Third Interview, 2016; 4).

DIC

DIC is a district level office of the Department of Industries and Commerce under the Punjab (State) government. The institution works for the development of the small and medium industries in the district and their purposes include the implementation of Government Schemes, understanding and meeting the needs of the firms and assisting self-employment (ACDS, 2014). As stated by one employee of the Ludhiana’s DIC office, *“we guide them [referring to the MSMEs] [...] and we also have a website, www.dcmsemi.gov.in. This is a site of welfare commissioner of micro and small business enterprises of Government of Punjab and from that site the entrepreneur is accessorized about so many promotional schemes, promotional programs, cluster programs and many more. And they may have helpline also on that, if he is in need because of any kind of impediment through the central government department.”* (25.04 First Interview, 2016; 3).

PPCB

The PPCB was constituted in 1975 under the Punjab Government and it has been entrusted to implement environmental laws all over the State of Punjab (Ppcb.gov.in, 2016). The main objectives of the board, as stated by the website, are to control and restore the level of pollution of water and air (Ibid).

ITI (Women)

Two Governmental Industrial Training Institutes are present in Ludhiana. One is for men and the other for women. The ITI (women), provides training programs on knitting, embroidery and garmenting (ACDS, 2014). The main courses offered are: WET Processing Technician, Fashion Technology and Design, Swing Technology, Surface Ornamental Technique and Architecture Assistance Technician (02.05 First Interview, 2016; 2). The courses last usually 1 year apart, from the Textile course, which is 2 years long.

AEPC

AEPC, is the official body of apparel exporters in India and it offers support and assistance to Indian exporters and importers, as well as international buyers who select India as their sourcing destination for garments (Aepecindia.com, 2016). As stated by one shawls' exporter who was interviewed *"this association is a government supporting association. They are supporting us in the textile sector [...] Timely they give us some notifications regarding [...] these benefits you get if you export to US or to specific countries [...] and they also support us for participating in international shows."* (28.04 First Interview, 2016; 1). Moreover *"they made some workshops for the development of workers [...] but the workshops are usually in Delhi or in other big cities, not in Ludhiana"* (28.04 First Interview, 2016, 2).

To conclude, the collective efficiency in the Ludhiana's cluster is considered as functioning well (Uchikawa, 2012; Tewari, 1999). The cluster does not only generate localized external economies, like a flow of shared knowledge on inputs, production process, markets and the access to a common labour pool, input providers and distributional network (Uchikawa, 2012); but there is also an evidence of local joint action and cooperation especially at the vertical level (Tewari, 1999). Yet there are several local associations representing various interest groups like dyers, knitters, spinners etc. In the following sections, I will describe in detail the composition of the cluster, analysing both the vertical and horizontal ties existing.

3.1.1 Horizontal ties

Regarding the horizontal ties, that consist in the relations between local firms within the cluster, joint action through local multilateral institutions seems to be the most important aspect. Indeed, what come out from the fieldwork, it seems that no actual strong relations are present at the horizontal level and that the one existing are mainly personal or friendship kind of connections. For example, the owner of a dyeing and printing unit stated, *"We have personal relations [with the other units] and we attend birthdays or other functions. But only personal, no work kind of relationships."* (26.04 Second Interview, 2016; 2). Particularly, when inquired if any partnerships exist with other units, to divide customer's orders major of the unit's actual

capacity, around all the participants prefer to “*ignore the order*” (29.04 First Interview, 2016; 1) and “*produce what we [they] can do*” (28.04 Second Interview, 2016; 1) or “*manage with the customers*” (28.04 First Interview, 2016; 1).

At the horizontal level, the business relations present mainly appear at the association level. The owner of a knitting unit highlights this point: “*[We have business relations with the other units] mainly at the association level. In putting up fights against government and to protect our industry [or] in guiding each other in purchasing raw materials*” (27.04 Second Interview, 2016; 3). Indeed, around 70 associations are running in the cluster (ACDS, 2014) defending different interest groups such as dyers, knitters etc., however, only few of them are active and take initiatives as stated by the interviewees. The recurrent names during the conversations and the ones that appeared to be most active in respect to the respondent’s point of views are:

- Bahadur-Ke Textile and Knitwear Association (BKTk) (28.04 First and Second Interview, 2016);
- Ludhiana Knitting Association (LKA) (27.04 Second Interview, 2016);
- Chamber of Industrial and Commercial Undertaking (CICU) (25.04 First Interview, 2016; 26.04 Second Interview, 2016);
- Punjab Dyeing Association (PDA) (25.04 First and Second Interview, 2016; 26.04 Second Interview, 2016; 27.04 First and Second Interview; 2016);
- Ludhiana Dyeing Industries Association (LDA) (26.04 Second Interview, 2016; 27.04 Second Interview, 2016);
- Federation of Industrial & Commercial Organization (FICO) (26.04 Second Interview, 2016) and
- The Knitwear Club (28.04 Third Interview, 2016).

A brief description of the main characteristics of the business associations previously listed is given in the table below.

BKTk	Established in 1985 (Bktkindia.com, 2016), this association is for “ <i>all manufacturers in the area</i> ” (28.04 First Interview, 2016), referring to the Bahadur Ke Road block, and having as member’s base more than 100 units working in the dyeing, knitting/weaving, packaging and garmenting area (Ibid). The main aim of the organization is to provide support and possibility of upgrading to all the MSMEs present in the micro-cluster, offering, for instance, training programs or common facilities (like the possibility to participate in international exhibitions).
------	---

CICU	Founded in 1968, the Chamber is registered as a non-profit making society and is an autonomous and regional organization (Cicuindia.org, 2016). The main mission of the institution is to develop actions for the development of all the MSME sector in Punjab and some examples of the activities implemented are: <i>“skill development seminars [for the unit’s workers], quality seminars, even some lean manufacturing seminars and ISO related [seminars]...awareness programs are also being conducted”</i> (25.04 First Interview, 2016; 3).
PDA	PDA is the umbrella organization regarding the dyeing industry in all Punjab. Its main aims are to improve the dyeing industry and collectively solve the principal issues they face, for instance the construction of a Common Effluent Treatment Plant (CETP). They have already initiated work for <i>“setting-up 3 CETP in Ludhiana”</i> (25.04 First Interview, 2016; 1).
LDA	LDA is a ramification of the PDA and it is considered the apex association for clustered dyeing firms in Ludhiana (FMC, 2016). It is an active organization of progressive dyers who keep upgrading themselves mainly regarding environmental issues (The Economic Times, 2016) and it is constituted of around 240 members (FMC, 2016). The owner of a dyeing and printing unit explained the work done by the LDA with this self-explanatory sentence: <i>“Whatever problem comes to the dyeing people, we do meet and discuss like customer satisfaction, payments on the people, the quality parameters to be followed, and problems of increase in cost of production or environmental issues”</i> (26.04 Second Interview, 2016; 3).
Knitwear Club	Established in 1984, the KC is the biggest and the most operating association of hosiery manufacturers in Ludhiana and it counts around 418 members (The Economic Times, 2016). It’s a not-profit making body contributing to the improvement of the knitwear sector and an example of the activities implemented consists in <i>“training camps, where all the ‘raw’ workers come and we train them”</i> (28.04 Third Interview, 2016; 1). It is also one of the founder members of FEKTAA (Federation of Knitwear, Textile and Allied Industries Association), which was formed back in 2001 under the support of UNIDO, with the main objective to take a unified view of the knitwear industry (ACDS, 2014).

Table 4: Principal industry associations in Ludhiana. Source: the author

Regarding the rest of the industry associations, most of them are simply engaged on fiscal and legal matters with the government and they rarely promote linkages with other support organizations or technical institutions or take actions to improve business practices (FMC, 2016).

3.1.2 Vertical ties

While horizontal linkages between Ludhiana's knitwear firms may be weak, vertical cooperation among the enterprises in the cluster is strong (Tewari, 1999). Indeed, the core cluster units of all sizes have strong ties with input providers, machinery producers, sub-contractors and distribution networks. As explained by one respondent *"Normally, it's a really normal practice that the units buy from the local suppliers...this is a very big cluster"* (28.04 First Interview, 2016; 2). Particularly, these vertical ties have grown closer and have become more calibrated in the process of overcoming the dual crisis that Ludhiana's cluster has faced in 1991 (the collapse of the ex-Soviet Union, Ludhiana's former primary export market, and the opening of the domestic market to freer trade) (Ibid).

3.1.2.1 Backward ties

As stated before, while knitwear manufacturers are at the core of the value chain, also backward linkages have been created back in the days (Tewari, 1999). Indeed, in the 1940's and 1950's, some of the knitwear manufacturers, which had accumulated capitals, set up spinning mills in order to produce woollen yarn locally (Ibid). Later, they specialized themselves on different fabrics like cotton and acrylics (Uchikawa, 2012). One respondent, for instance, declared *"I purchase grey materials from local suppliers"* (28.04 Third Interview, 2016; 1), another one said *"We are normally buying all the raw materials from our local suppliers, but sometimes the yarns are not available from the local suppliers and so we buy them from big enterprises in other states or in other cities, but this is not the praxis"* (28.04 First Interview, 2016; 2).

The cluster is also linked backward in the region's machinery production sector (Tewari, 1999) and nowadays this brought to the presence of machinery manufacturers and suppliers (ACDS, 2014). In fact, before the economic liberalization in 1991, all the machinery and tools used in the Indian knitwear industry came from this region (Tewari, 1999). As stated by the Diagnostic Report done by FMC (2016), still around 90% of the machinery employed by the units is procured by Ludhiana only. Finally, also an ancillary dyeing sector has been set up and nowadays it counts for around 250 units all over Ludhiana (Ibid). Not to forget the sub-contracting knitting firms, which contribute majorly to the cluster value chain and that are part of the backward process support. They help those knitting units that are mainly engaged in bulk orders or in exports and are in shortage of time to fulfil the orders. A unit's owner that detains all the production steps in-house and which represents one of the only exceptions in Ludhiana, stated, *"Normally [MSMEs] buy the yarn from spinning units, then they send it for the dyeing outside, after they send it for finishing in other factories and*

this is all done in Ludhiana only." (28.04 First Interview, 2016; 2). His statement demonstrates quite well the existence of good vertical cooperation between the units, particularly on the backward side.

3.1.2.2 Forward ties

The end-product, is marketed in various parts of the country and exported outside India. On the domestic front, intermediate agents, wholesalers and retailers provide forward linkages. Moreover, several clothing brands are also flourished in the cluster with the purpose to provide forward ties to the manufacturing units (ACDS, 2014). For instance, between the 11 units interviewed 2 are producing also their own label (28.04 First Interview, 2016; 28.04 Second Interview, 2016). Instead, exports are being affected directly or through merchant exporters and buying agent/houses (ACDS, 2014). Figure 2 depicts the composition of the Ludhiana cluster, showing in detail the backwards and forwards ties present.

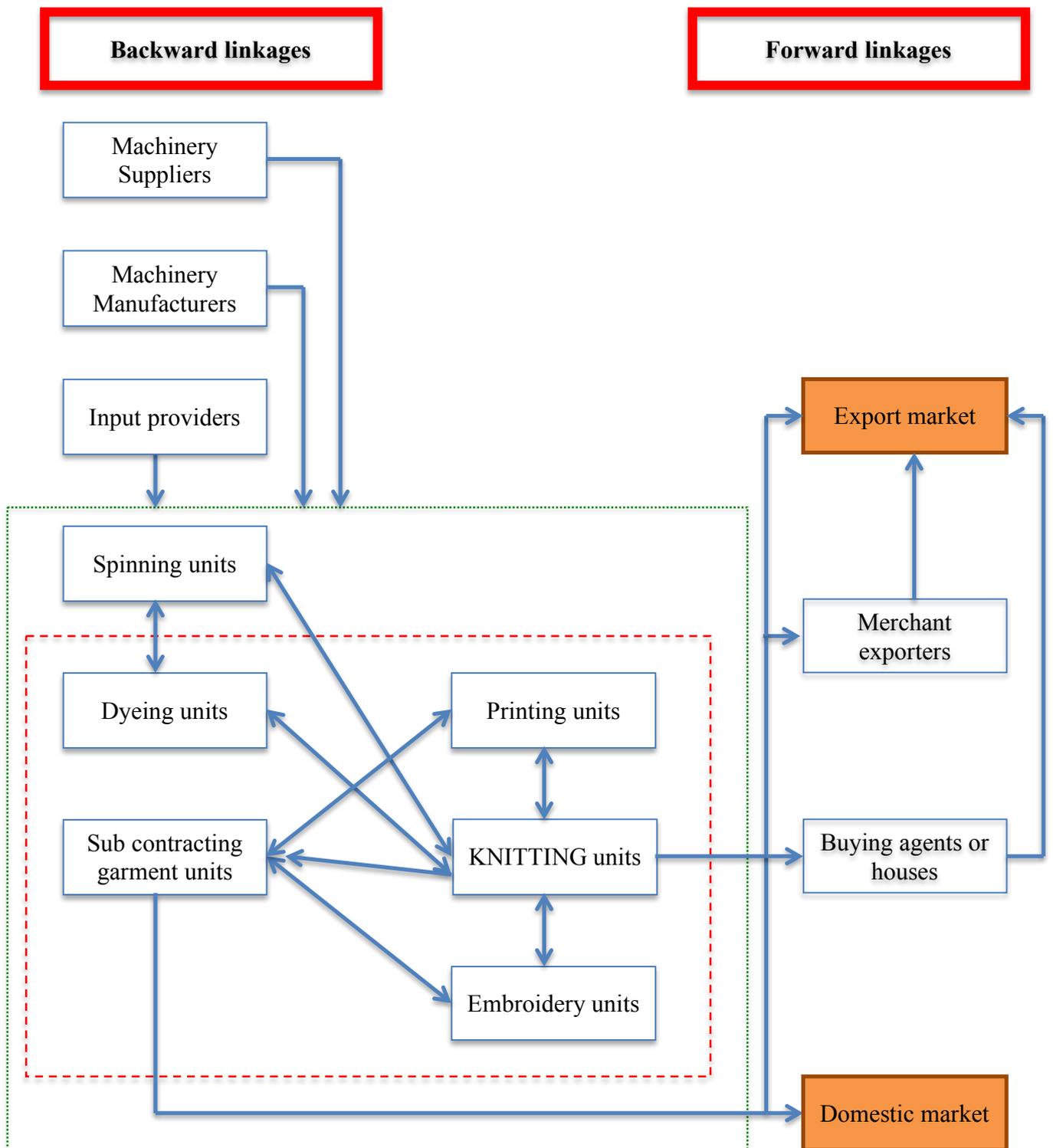


Figure 2: Major actors and backwards/forward ties of Ludhiana's Knitwear cluster. Source: the author

Index:

- - - - - : Core cluster actors (directly involved in the knitwear manufacturing process)
- : One-way linkage
- ↔ : Two-way linkage

4. Analysis

In this chapter the empirical findings obtained through the interviews will be presented and analysed. Moreover, all this material will be supplemented with secondary data when considered appropriate and necessary. The chapter is divided into four main sections, following the structure of the literature review previously examined. Firstly, I will classify the Ludhiana's cluster and list the CSR activities undertaken collectively at the cluster level. In the second section, the MSMEs interviewed will be described, underlying the main characteristics shared and the differences encountered. The section will conclude with the presentation of the individual CSR activities implemented. Following, the informalisation of labour in the Ludhiana's context will be described and the repercussions this phenomenon has on the implementation of CSR practices. In the last section, the concept of CSR as explained by the respondents, the impact of the activities implemented (both at the individual and the collective level), the drivers, the barriers faced and the benefits obtained will be described.

Because I have explicitly adopted an abductive reasoning, the empirical findings will not just be "showed" but juxtaposed with the theoretical literature previously reviewed in order to outline the main findings of the research.

4.1 Ludhiana's knitwear cluster

4.1.1 Classification of the cluster

The literature provides different classifications of cluster, for instance, based on the development stage reached (Schmitz & Nadvi, 1999; Sandee, 1995), on the dynamism or capacity of the cluster to grow over time (Giuliani, 2005) or on the clustered firms' human rights engagement and explicit CSR adoption (Giuliani, 2016). I, through the collection of primary data, the analysis of them and of supplementary secondary data, will classify the Ludhiana's cluster on the basis of some taxonomies gave from the literature and formerly elucidated.

In respect to the distinction given by Sandee (1995) of '*dormant*' vs. '*dominant*' clusters in a developing country context, the Ludhiana's knitwear can be mentioned as a *dominant cluster*. Indeed, the units, as stated in the previous section, are closely linked especially at the vertical level: both backward and forward linkages are grown closer and have become more calibrated after the dual crisis of 1991 (Tewari, 1999). As stated by the majority of the interviewees, they all supply the raw materials from local spinning mills and only in case

of shortage, they furnish from big enterprises in other states (28.04 First Interview, 2016; 2). Strong linkages exist also with the ancillary dyeing firms and the sub-contracting knitting units. The overall result is that the entire production process typically remains in Ludhiana only (Ibid). Moreover, the cluster competes at the international level, exporting especially in US, Europe and Asian countries (FMC, 2016). Even if the portion of export is considerably fewer than the domestic share (indeed, as previously declared, it counts only the 25% of the total turnover), it is estimated that during 2006/2007 the value of exports of hosiery and readymade garments were of the order of 1306 crore rupees, which makes Ludhiana an important garment spot at the global level (NCAER, 2009).

Another similar classification is the one provided by Schimtz and Nadvi (1999), which distinguish between *'incipient'* and *'mature clusters'*. Ludhiana's knitwear district is characterized by the use of advanced machineries, as declared by the general manager of DIC Ludhiana (25.04 First Interview, 2016; 1), which are supplied not only locally but all over the world (e.g. Japan or Germany) (28.04 Second Interview, 2016; 1; 28.04 Third Interview, 2016; 1). This was also perceived by me when visiting the units, with the only exception of the micro-firms, which instead are characterized by no use of technologies, only hand-work (29.04 First, Second & Third Interview, 2016). However, this is due to the typology of job done that requires only high labour skills. Finally, Ludhiana's knitwear cluster is characterized by a good level of joint action and cooperative attitudes, also demonstrated by an intensive spread of business associations. These reasons and the presence of Ludhiana's knitwear cluster in the global markets classify Ludhiana as a *mature cluster*.

Finally, based on the taxonomy given by Giuliani (2005), Ludhiana can be stylized as a *dynamic cluster*. Indeed, it can be argued that Ludhiana is characterized by an intermediate absorptive capacity. This is demonstrated by firm's general upgrading respect the technological frontier (25.04 First Interview, 2016; 1), but without an active participation to its enhancement. Indeed, research and development is not practiced within the industry (ACDS, 2014) and thus Ludhiana results a knowledge-using environment rather than a knowledge-producing one.

4.1.2 Collective CSR in Ludhiana

After providing the reader with a description of the cluster composition and a classification of it, regarding both the development stage reached and the dynamism of the cluster to develop over time, it is now crucial, in order to answer the research question, to list the CSR activities implemented on a collective level and explore whether joint action, regarding CSR implementation, is spread between Ludhiana's MSMEs.

Collective CSR actions are considered those activities conducted jointly with either other clustered firms or support organizations (Sachdeva & Panfil, 2008). The literature mainly divided the discussion on CSR and industrial clusters in three main topics, respectively regarding environmental management, work conditions more generally and poverty reduction (Lund-Thomsen et al, 2016b). The interviewees have given many different examples of collective CSR but I have noticed a predominance of the first theme in the Ludhiana's industrial district. For this reason, I have categorized them in two main groups: *collective environmental CSR* and *other collective CSR activities*. The main difference between the two is that, while the environmental CSR actions are mandatory for the units involved, the second group is characterized by voluntary activities. In the next section, they will be described in details.

4.1.2.1 Collective Environmental CSR

From the data gathered through the interviews, it appeared that the majority and the most important collective CSR actions undertaken in Ludhiana regard environmental issues, in particular the construction and implementation of CETPs (Common Effluent Treatment Plants). Indeed, the dyeing units result the most polluted firms between the core cluster actors directly involved in the garment (knitwear) manufacturing process. However, as declared by the interviewees, the construction of end-pipe treatments in the form of CETPs is so 'popular' due to the recent spread of national strong environmental rules and regulations (26.04 Second Interview, 2016; 3) and so because of its mandatory aspect.

Dyeing is a combined process of bleaching and colouring, which produce huge amount of wastewater and consequently cause environmental degradation (FMC, 2016). After the dyeing process, the effluents are characterized by high concentration of "*dye stuff, biochemical oxygen demand, total dissolved solids, sodium, chloride, sulphate, hardness, heavy metals and carcinogenic dye ingredients*" (Tchobanoglous & Burton, 1995). This characterizes the water that become unusable for any other purpose and poses also serious environmental problems. However, as stated by one employee of the PPCB, even if pollution is a big problem in Ludhiana, the garment industry is not the main cause. The other sector that characterizes the industrial district is the iron and steel industry, which is the most toxic (25.04 Second Interview, 2016; 1). Until now the only CETP completed and in function in Ludhiana is the one built by the metal finishing units, with the support of the Association Ludhiana Effluent Treatment Society, and, so far, the dyeing units without an individual ETP have reused its treated water (25.04 Second Interview, 2016; 2). However, this is not the definitive solution also because only a minority of the dyeing units are effectively adjoining this CETP. Therefore, the garment industry is in charge to provide in the near future number 3 of CETPs where all the effluents will be treated (25.04 Second Interview, 2016; 3). Indeed, it is mandatory for all the dyeing units in Ludhiana to be

provided of an effluent treatment plant, common or individual (26.04 Second Interview, 2016; 3). It then came out from the findings that the thickening of national environmental regulations is one reason that increased the adoption of social responsible practices in Ludhiana (Ibid). This supports the previous literature on the debate industrial clusters and CSR, which arguments that one main driver influencing the enhancement of CSR practices is the thickness of the national policy framework regarding environmental and social aspects (Lund-Thomsen et al, 2016b; Lund-Thomsen & Pillay, 2012).

These 3 CETPs, which are in the process of construction, as declared by the general manager of Ludhiana’s DIC, have been organized in such a way that each CETP is scattering to a specific area (25.04 First Interview, 2016; 2). Looking at the geographical dislocation of the major areas of concentration of the dyeing units (Figure 3) it appears clear that since the distance is more than 10 km, establishing a single CETP will not be feasible or too costly and thus building satellite CETPs, one respectively in Focal Point, Tajpur Road and Bahadur Ke Road, may be a better proposition (FMC, 2016).

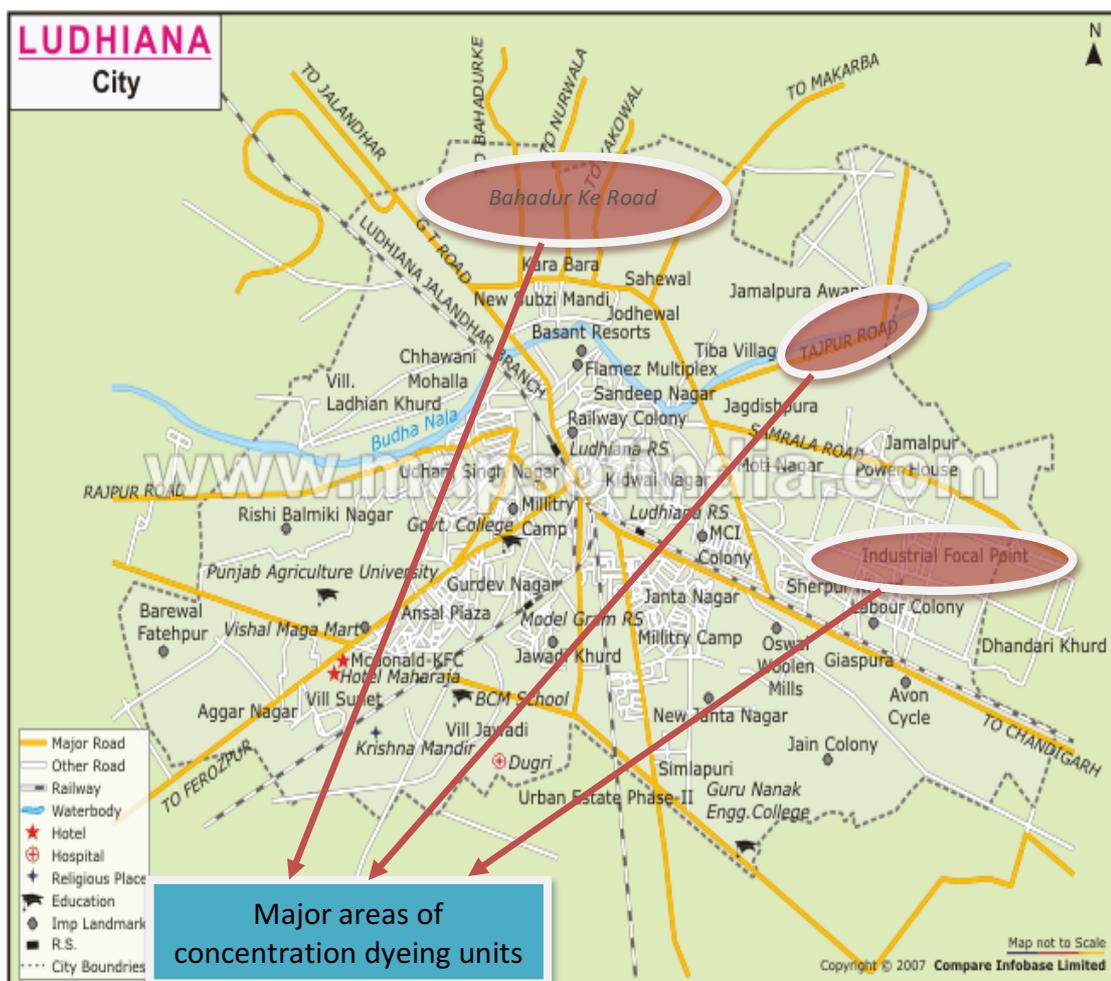


Figure 3: Major points of dislocation dyeing units in Ludhiana. Source: the author

The choice of common plants has been preferred by the majority of the units mainly due to their economic impossibility to establish individual end-pipe treatments (Ibid; 26.04 Second Interview, 2016; 3). This supports the literature that usually describe MSMEs as disadvantaged in comparison with larger enterprises, mainly due to their lack of financial resources (Lund-Thomsen & Pillay, 2012). However, through the agglomeration in industrial clusters, MSMEs can face the above-mentioned issues and benefit of the competitive advantage deriving from joint action practices (Schmitz & Nadvi, 1999). The CETPs are a perfect example of competitive advantage deriving from collective actions. Another reason, listed by the respondents, that brought to the preference of collective CSR practices respect individual efforts to solve the issue of polluted water has been perceived in the “government’s barriers”. Concerning this aspect, one interviewee highlighted the positive outcome of being in joint actions:

“Now we are in a group [Hindi speaking] ...when we were alone at the beginning there were lots of barriers...financial, administrative and bureaucratic...and government was a problem. Now, through the Punjab Dyeing Association (PDA) we have a lot more power and less barriers and government is with us”.

(27.04 Second Interview, 2016; 4)

The owner of this dyeing and knitting unit, which is part of the Tajpur Road block, lately explained the situation of the Ludhiana’s cluster. Before the start of the construction of the CETP for the Tajpur Road block, only a sewage treatment plant (STP) was present (27.04 Second Interview, 2016, 5). This system is cleaning the dirty water coming from all the dyeing units lacking of individual treatment plants which are in this area, even though the STP is meant to clean only the domestic waters (Ibid). With the enforcement of the environmental regulations, the PDA took the control to build a separate CETP for all the water used by the dyeing firms in Tajpur Road (Ibid). However, the plan explained seems quite ambitious for two main reasons. First, for the new introduction of the Zero Liquid Discharge (ZLD) technology, which implies that the water used by the dyeing units, after being processed by the CETP, will not be discharged in the river but reused by the firms, at least for its 90% (27.04 Second Interview, 2016; 7). Second, because it is supposed to be completed in a short amount of time, between one year or two because already half completed (27.04 Second Interview, 2016; 4; 26.04 First Interview, 2016; 4). However, regarding this aspect, secondary data foretells something different. Journal articles from the Hindustantimes and the Timesofindia trace back the discussion of CETP in Tajpur Road in 2009 and the start of the works already in 2013, which had been predicted to finish the year after (hindustantimes.com, 2016; timesofindia.indiatimes.com, 2016). However, still in 2016 the CETP is not completed. As explained by one employee of the PPCB, CETPs are not without

challenges and one of the main reasons of the delay consists in the not payment of members' share (25.04 Second Interview, 2016; 3). This aspect is also pointed out by the literature as a main issue in completing CETPs and defined as free-rider problems (Lund-Thomsen, 2009 in Lund-Thomsen et al, 2016b). Finally, other two respondents, instead, found the main cause of the delay in the CETP's completion in the absence of strong institutional support. One particularly, declared:

"[...] But government is always a problem! And we face other issues...for instance, we don't have a lot of financial support [for the construction of the CETP] and we lack help from local institutions regarding the technical aspect necessary". (27.04 Interview, 2016; 4)

This supports Nadvi's argument highlighting the necessity of a strong institutional support environment for the implementation of successful collective actions (Nadvi, 2005).

4.1.2.2 Other collective CSR activities

Many other collective CSR activities are undertaken by MSMEs in Ludhiana apart from environmental collective CSR. Their scope varies a lot, from medical camps like blood donation or eye-check camps for the community, to charity contributions for religious institutions, until activities for the workforce, like training workshops or the construction of housing facilities for them and their families. These are only few examples. I decided to categorize these activities in regard of the recipients towards which these actions are directed: the workforce, the community and religious institutions. While the first ones are the most spread, few examples directed to the betterment of the community or to religious organizations exist. Finally, a separate discussion will be done regarding the choice of the partners for these collective CSR activities.

Regarding the employees, quite a lot of examples of collective CSR engagement are present in the Ludhiana's knitwear cluster. Majority of these actions are directed to improve their skills and upgrade them. These activities consist in training camps done at the association level: for instance, for the knitting units this happens with the support of the Knitwear Club (28.04 Third Interview, 2016; 1), an association of hosiery manufacturers in Ludhiana. Other units speak about health camps (27.04 Second Interview, 2016; 1) or recreational activities like cricket matches (25.04 First Interview, 2016; 1 &2). Finally, one MSME is planning to build two fully furnished hostels for the working women with the support of Bahadur-Ke Textile and Knitwear Association (BKTK) and with the funding of a government scheme (28.04 Third Interview, 2016; 4 & 5). Instead, regarding the joint effort done by the Ludhiana's units for the community, this concerns mainly health care. The only example given comes from the owner of a knitting firm, which declared the provision

of free of costs eye-testing camps and blood donation camps done quarterly to all the local public (28.04 Second Interview, 2016; 1). This is done with the cooperation of a NGO called “*Raghunath Sewa Da*” (Ibid). Finally, also donations to religious institutions has appeared. These are related with a Muslim religious festival, the Ramzan Eid (29.04 First Interview, 2016; 1), and consist in monetary donations or distribution of free stuff to the local mosque (Ibid). Particularly, these activities are implemented by some micro-embroidery units without the support of any external local institutions.

It has to be highlighted that the majority of these activities undertaken collectively are done with the support of local institutions; mostly business associations of various kind and in fewer cases NGOs. Only in one example the collective social responsible activity is conducted between cluster firms and without the cooperation of external institutions. This appears in contradiction to what answered by the majority of the respondents when directly asked how is the level of trust with the other units in the cluster. But as sustained by the literature, the level of trust between enterprises is just a facilitator in the implementation of collective CSR activities, not the ‘warranty’ of an effective execution (Sachdeva & Panfil, 2008). This is the case of the Ludhiana’s cluster. Particularly, I perceive two main reasons why collective CSR engagement (excluding the mandatory activities) is so low respect the individual actions. Firstly, it is the lack of interest in joint actions regarding the implementation of responsible business practices. For instance, one interviewee explicitly declared:

“No, we have never been approached by other units for doing collective CSR and not in the other way around [...] we don’t feel the necessity” (29.04 Second Interview, 2016; 3).

Also previous empirical studies on developing country’s clusters, like the one done by Sachdeva & Panfil (2008) or Vives (2006), show this tendency and this is mainly due to entrepreneurs’ inward looking attitude. Secondly, another reason discovered is the scarcity of institutions or organizations in supporting social and environmental responsibilities. In support of this, one respondent stated:

“No, we don't do [referring to the implementation of collective CSR activities]. This happens mainly because there are no associations involved in that right now” (27.04 First Interview, 2016; 1 & 2).

From this sentence emerged the lack of a strong institutional support, which is seen by the literature as a necessary element in ensuring the success of collective CSR actions (Nadvi, 2015). Interestingly, from none of the answers the pressure from GVCs and global buyers appeared to be a factor enhancing the

institutionalization of CSR norms at the cluster level, while seen as a dominant aspect in the literature (Lund-Thomsen et al, 2016b; Lund-Thomsen & Pillay, 2012). This may be due to the mainly presence of the Ludhiana's MSMEs in local or national value chains and to the few existence of export-oriented units (Uchikawa, 2012), or maybe to the participation in less visible GVCs (Lund-Thomsen et al, 2016b).

4.1.2.3 Summary collective CSR in Ludhiana

In conclusion, I observe that regarding all the collective CSR activities undertaken, the focus is predominantly on the environmental aspect and specifically on the implementation of CETPs for the dyeing units. This happens because of its mandatory aspect, which in turn is due to the recent thickening of national environmental laws. Moreover, while the implementation of CETPs has been preferred by the units to individual plants, the choice is not without challenges. Indeed, the completion has delay of years and the main obstacle perceived by the respondents is the absence of a strong institutional support environment. The second most implemented collective CSR action regard the labour welfare in the way of training and development of worker's skills. Finally, few examples directed to the community are present. A part from these initiatives collective CSR is rare and negligible compared to the individual actions, which will be described in detail in the next section. Concerning the selection of the partners, MSMEs predominantly choose industry associations or in few cases NGOs respect partnerships with local units. The main reasons observed for not getting involved with support agencies or other units in collective CSR engagement seems to be mainly the absence of a strong institutional support environment. Also the lack of interest in collective CSR actions is another motive, while the level of trust is perceived good and it does not seem directly influencing the enhancement of collective responsible activities for the Ludhiana's MSMEs interviewed.

4.2 Ludhiana's MSMEs

4.2.1 Characteristics and differences of the MSMEs interviewed

In this section I will describe in details the MSMEs interviewed in the Ludhiana's knitwear cluster, underlying the main characteristics shared and the differences encountered.

As previously underlined in the literature review, no universal definition of MSMEs based on quantitative criteria exists (Inyang, 2013). I have preferred to use qualitative characteristics, which have been seen recurrent in all MSMEs, to define and distinguish micro, small and medium enterprises from bigger units. Firstly, *personal management by the owner* and a little distinction between the role of ownership and

direction/administration usually characterize MSMEs (Spence & Lozano, 2000). This is perfectly explained by the general manager of the Ludhiana's DIC which stated:

"SMEs [...] Basically they are immature. Same is the manager, same he is looking after sales, same he is also looking after the technical aspects, he is also looking at the financial part ... Basically he is looking after all the aspects of its unit!" (25.04 First Interview, 2016; 1).

This quotation also underlines the *multitasking* feature that distinguishes MSME's owners from the ones of large enterprises. Another respondent stressed the same point, only adding the aspect of being helped by his son (27.04 First Interview, 2016; 2). This springs to another qualitative criterion characterizing MSMEs: the *family-management* and *family-ownership*. I noted, indeed, that between the 11 units interviewed, 8 are family-owned, which then appeared another common feature describing the MSMEs in the Ludhiana's cluster. An additional peculiarity of small and medium firms is the informal style of leadership and the domination of *informal relations and communication style* (Spence & Lozano, 2000). The owner of a knitting unit stressed this point while explaining his relationship with the workforce:

"Every Saturdays I take my meal with my workers...and the meal is sponsored by the factory [...] We are used to sit together...we talk and they share their problems and views. When we meet, they are very free to talk...if there are any problems they tell me with confidence...we have a friend relation and I don't want to feel them distant from me." (28.04 Third Interview, 2016; 1).

This passage, in turn, highlights the *high degree of interrelation* of MSMEs with their workforce, which is another qualitative characteristic of small enterprises, as argued by Enderle (2004). Additionally, *"feeling close to the employees"* (28.04 First Interview, 2016; 1) and the comparison of the unit as a big family (26.04 First Interview, 2016; 3) seem frequent and notable features between the respondents. Finally, another trait of MSMEs is the *financial constraint* (Lund-Thomsen & Pillay, 2012), which has been enlisted by some of the enterprises interviewed as their main issue (29.04 Second Interview, 2016; 10; 29.04 First Interview; 6). Apart from limited financial resources, MSMEs are also typified by a widespread *managerial inexperience* (İPLİK & KILIÇ, 2009) or *limitation of managerial resources* (Lund-Thomsen & Pillay, 2012). This aspect is underlined by the DIC's manager which labels MSMEs as *"businesses without professional style of management"* (25.04 First Interview, 2016; 14).

Because the categorization of MSMEs is quite vast, I have encountered not only shared characteristics but also some differences between the units examined. Apart from the financial aspect, which was highlighted several times by different respondents, one speaker underlined the wideness of the range between micro, small and medium enterprises in regard to the implementation of CSR activities. Specifically, he said:

“No, they [referring to the micro and small units] are not interested if they have turnover. Only in the medium and large sector they actually implement CSR actions. In the micro sector, you have to motivate a lot because they are not really interested. For instance, the buyers give international standards.” (25.04

Third Interview, 2016; 3)

To conclude, this passage also emphasizes a factor that the literature see as an enhancer of the institutionalization of CSR activities in developing country's units: the global buyers and global value chains in which developing countries clustered MSMEs are embedded (Lund-Thomsen et al, 2016b). However, as previously explained, it does not seem a relevant driver for the majority of the Ludhiana's MSMEs interviewed.

4.2.2 Individual CSR in Ludhiana

In the following section I will introduce the individual CSR actions implemented by the MSMEs interviewed. A distinction between *'individual internal CSR'* and *'individual external CSR'* has been provided based on the destination of the activities undertaken (Sachdeva & Panfil, 2008). While the former ones are conducted internally within the unit, the latter have a function to benefit the outside environment (Ibid).

4.2.2.1 Individual internal CSR

This area of Corporate Social Responsibility has been seen as the most broadly implemented by the units interviewed in the Ludhiana's knitwear cluster. I expected this higher level of involvement mainly because units are naturally concerned about matters internal to the firm (Sachdeva & Panfil, 2008; Vives, 2006). The respondents have provided different examples falling in this category: from the provision of canteen and housing facilities to their workforce, to provident fund (PF) and employees' state insurance (ESI), until training and safety workshops. A part more formal kind of practices, like the ones just enlisted, also informal internal responsible actions has been encountered. In specific, informal CSR practices cover a more broaden area and are characterized by the more disparate actions (Tran & Jeppesen, 2016). Some examples faced in the Ludhiana's knitwear cluster are: the payment of important worker's family events, the organizations of

religious trips for the workforce or simply the provision of free tea and snacks. All these activities will be described in detail in the next paragraphs.

Between the individual internal CSR activities undertaken by the units, the ones that have been seen the most spread are the payment of PF and ESI for the workforce and this is most probably due to their mandatory aspect. Normally all the units provide PF and ESI but this is done only for the fixed/regular workers (28.04 Third Interview, 2016; 1). The micro-units are the only exception regarding the implementation of these forms of insurance. Indeed, it appears that they do not cover their employees with PF and ESI (29.04 First Interview, 2016; 29.04 Second Interview, 2016) and when asked why this happens one affirmed that this is due to the worker's choice not to get their salary cut off (29.04 Second Interview, 2016; 2). This support the literature which sustain that a major condition shaping the implementation and function of CSR norms in the Indian context is the labour agency, considered at the individual worker's level (De Neve, 2014; Carswell & De Neve, 2013). Particularly, workers tend to avoid employment in companies where CSR policies are implemented due to a deliberate choice to work in more flexible, casual and informal settings (De Neve, 2014). The owner of a medium firm explained in details how do PF and ESI rates of contribution work and which are the main issues they face in forcing the workforce to receive social security and health insurance:

"ESI is for the medical facilities, PF is for the retirement. In India, people don't understand the importance of these activities...or they don't want to. When we started providing ESI, 10 years ago...around 15 days after, every day workers were coming in our floor asking "Cut the PF".... They don't understand that they are not the only ones who paid...I also deposit 20%. We cut let's say 12 rupees from their salary and I also put the same amount for them in their funds, but they don't want their salaries to be cut down and they don't want to understand." (28.04 First Interview, 2016; 1).

This problem has been listed by most of the unit's owners. Though, for an employee of the INTUC, trade union wing of the National Congress party, the real reason why some employees do not want to cut their salaries for getting health insurance and social security is that they do not receive the minimum wage allowed by law (03.05 Second Interview, 2016; 1). Regarding this aspect, more than one MSME's owner denied this accusation and explicitly declared their respect of the law regarding both the payment of the minimum wages and the provision of the salaries on time (27.04 Third Interview, 2016; 25.04 First Interview, 2016). Finally, regarding another formal internal CSR action, more than one respondents declared their banning of child labour in their units (28.04 Third Interview, 2016; 1; 27.04 Third Interview, 2016; 1). If what said from the employee of the trade union is true, MSMEs will be behaving responsibly and irresponsibly concurrently

actuating a decoupling attitude (Lund-Thomsen & Khara, 2015). Indeed, while staying legitimated at the eyes of the external stakeholders through the focus on high-visible issues (e.g. banning child labour), they will still keep not complying other human and labour right issues like the non-payment of PF and ESI (Ibid). Finally, workshops and training camps are not only collective CSR activities but they are implemented also at the individual level. Different kinds of workshops are arranged, from safety training (28.04 First Interview, 2016; 26.04 Second Interview, 2016; 27.04 First & Third Interview, 2016) and First Aid workshops (28.04 First Interview, 2016; 27.04 First Interview, 2016) to proper skill training ones (26.04 Second Interview, 2016; 27.04 Third Interview, 2016), even if in a less amount. Technical training of the workforce, if given, is usually done only at the beginning when a new employee is recruited and it lasts between a couple of weeks to a maximum of 6 months (27.04 Third Interview, 2016; 2). Finally, trainings to workers on how to use the Personal Protective Equipment's (PPE) are also made (28.04 First Interview, 2016; 2).

Other activities which fall in the category of individual internal responsibility, but are informal kind of practices, are the provision of tea to workers, drinking facilities in the unit and canteen facilities. Usually, the majority of the firms provide water coolers to the workers (28.04 First Interview, 2016; 1), tea twice a day (28.04 First Interview, 2016; 1) and sometimes also food. On the 11 units examined, 4 units furnish food to the workforce and while one firm outsources it (27.04 First Interview, 2016; 1), the other 3 detain a canteen, which can be free of cost (Ibid) or payable at a very low price (26.04 Second Interview, 2016; 4). One special case regards a hosiery and embroidery unit, where:

“Once a week...every Saturdays I [referring to the firm’s owner] take my meal with my workers...and the meal is sponsored by the factory [...] We are used to sit together...we talk and they share their problems and views.” (28.04 Third Interview, 2016; 1).

This quotation perfectly support the literature argument regarding the presence of a closer relation between MSMEs and their workforce respect bigger firms (Jamali et al, 2015). This in turn is the reason why MSMEs primarily tend to implement informal CSR practices, especially directed toward their workforce and the local community (Ibid; Vives, 2006; Tran & Jeppesen, 2016). Some units also offer housing facilities. Between the firms interrogated, only one actually detains a dormitory free of charge for the workers and their families, but these accommodations are reserved only to the regular workforce not the seasonal ones (26.04 First Interview, 2016; 1, 2). Another firm provides residence to its workforce, always only to the fixed employees, but in this case the dormitory quarter is the unit itself (28.04 Second Interview, 2016; 1). The reason given for letting the employees sleeping in the unit with their family is mainly safety purpose: *“Living here, they*

will look after at the unit [...] and we will have workers on time” (28.04 Second Interview, 2016; 2). Finally, other two MSMEs are in the process to build hostels (26.04 Second Interview, 2016; 1; 28.04 Third Interview, 2016; 1).

Additional informal kinds of individual internal responsibility have been encountered, and three examples are: the provision of loans to workers, the celebration of festival inside the industrial unit and the arrangement of religious trips for the workforce. Regarding the monetary assistance, this is usually done to help them when they need some assistance for emergency situations (e.g. family problems, health issues) (27.04 First Interview, 2016; 1; 27.04 Third Interview, 2016; 1) or for the payment of important workers’ family event (e.g. payment of weddings) (27.04 Second Interview, 2016; 2). However, these kinds of benefit are given only to regular workers and each case is scrutinized in detail. Some MSMEs improve the labour welfare also through the provision of recreational activities to their employees. For instance, a firm allows the workers to celebrate inside the unit some of the biggest festivals, religious or not, like New Year, Baisakhi, Lohri (26.04 Second Interview, 2016; 1), while another unit’s owner arranges yearly religious trips (28.04 First Interview, 2016; 1). To the most part, all these activities ride more on the informal relationships between the owner and the labour force than any policies or systems (Sachdeva & Panfil, 2008) and are driven by internal factors, like the principles of the managers and their ethical and religious values (Von Weltzien Høivik & Shankar, 2011). As stressed before, this underlines the informal aspect distinguishing MSMEs, which in turn is reflected on their tendency to majorly implement informal kind of CSR (Vives, 2006; Tran & Jeppesen, 2016). Finally, I want to highlight that also for these cases, micro-units are the ones who do not provide their units with any of these facilities and activities and this is mainly due, as stated from them, to the limited financial resources detained (29.04 First Interview 2016; 29.04 Second Interview 2016).

4.2.2.2 Individual external CSR

External CSR activities are realised also at the unit level and these are dominated by charity donations and by the improvement of the cluster environment. Specifically, environment welfare is achieved through private ETPs, the implementation of rainwater harvesting systems, plantation and traffic management activities.

The charity donations include contributions to religious organizations (29.04 Third Interview, 2016; 1) and informal kind of assistance for the community, like the provision of free food or clothes to poor people (27.04 Second Interview, 2016; 1; 29.04 Second Interview, 2016; 1). Particularly, it has been noted that the micro-units, while until now did not show almost any kind of CSR execution, are the ones who mostly implement

individual external CSR practices, on the form of charity actions. Particularly, they usually opt for non-monetary contributions like food or clothing. If monetary donations are given, then are usually addressed to religious institutions, like mosques (29.04 Second Interview, 2016; 1). This is in line with previous empirical researches in developing country's clusters (Sachdeva & Panfil, 2008) which were showing a predominance, for the micro units, of responsible practices directed to the 'community welfare'. This is due to their closeness to the local community more than to the labour force, because of the small pool to maintain (Ibid).

Regarding the environment welfare, the most diffused individual actions undertaken are plantation activities (26.04 First & Second Interview, 2016; 27.04 Second Interview, 2016; 28.04 Third Interview 2016) and the development of parks (27.04 Second Interview, 2016; 1). Four enterprises do that and as declared by one of them *"This has been done forcibly by us"* (26.04 Second Interview, 2016; 2) so without the government permission. When directly asked the reason behind their choice of voluntary plantation activities, an owner states:

"Before the land was used for park, it was used to be filled with garbage. And we are doing this not for our self! [...] We fell that the government was not taking care of our neighbourhood, that is why we did this and paid for everything from our pockets." (26.04 Second Interview, 2016; 1 & 2)

This quotation supports Visser's (2008 in Demuijnck & Ngnodjom, 2013) argument regarding MSMEs orientation towards basic responsible functions as a way to fill "government gaps". Indeed, MSMEs take over this responsibility in order to contribute for the development of their community when they perceive action as needed. Furthermore, between the four dyeing units interviewed, only one detains its own ETP based on a ZLD technology (28.04 First Interview, 2016; 1) and it also holds a rainwater harvesting system (Ibid). It has to be highlighted that this SME regularly exports its product and its main market is the export. As usually seen in the previous literature, exporters are characterized by higher level of commitment to CSR practices due to the pressure given by the global buyers (Vives, 2006). As expected, this unit shows a major involvement in responsible practices, particularly formal ones, being in line with this path. Finally, another activity which can be categorized as external responsibility is traffic management (26.04 First Interview, 2016; 2). This activity has been seen only once and when directly asked the reason behind this choice, the respondent answered: *"I lost my mother and she couldn't reach the hospital due to traffic. So, that is my reason."* (26.04 First Interview, 2016; 5). On the overall, it can be noted that firstly the level of commitment to individual external activities is rather low respect the internal ones, indicating their non-essential nature as perceived by smaller firms (Vives, 2006). Secondly it appears clear that entrepreneurs' motivations and

values are the main drivers in the choice of the CSR agenda (Vives, 2006; Sachdeva & Panfil, 2008), which in turn is reflected in a net predominance of informal CSR practices.

4.2.2.3 Summary individual CSR in Ludhiana

Overall, I observed that regarding all the 'individual CSR activities' undertaken, the focus is predominantly on the internal aspect, so actions conducted within the unit only, and especially directed towards the improvement of the labour welfare. This is mainly due to entrepreneurs' natural concern about matters internal to the firm (Sachdeva & Panfil, 2008; Vives, 2006) and also due to the closeness of MSMEs to their labour force (Jamali et al, 2015). Furthermore, a prevalence of informal individual responsible practices has been seen, supporting the general theoretical argument that MSMEs primarily tend to implement informal CSR practices (Ibid; Vives, 2006; Tran & Jeppesen, 2016), without reflecting them into the firms' corporate strategies (Vives, 2006). This makes clear that entrepreneurs' motivations and values are the main drivers for the CSR agenda, while pressure from global buyers is seen relevant only for the exporting units, which in turn is reflected in a higher commitment to CSR formal activities. However, across all the MSMEs interviewed it has to be noted that this engagement varies on the basis of the firm's size; for instance, while small and medium enterprises are more inclined to invest in taking care of labour (from mandatory CSR activities like the payment of PF and ESI till more informal ones, like the provision of loans to the workers for important family's event), the micro units are more concerned about community welfare and charity. These findings reflect previous empirical researches done in small and medium enterprises in developing countries (Sachdeva & Panfil, 2008; Vives, 2006). A possible reason of this could be that, while small and medium units have a larger pool of workers to maintain, making obligatory for them to spend on benefits, for the micro firms this does not work (Sachdeva & Panfil, 2008). Instead, when it comes to the aspect of community welfare and charity, the inclination shifts to the micro enterprises mainly because they are closer to the beneficiary communities (Ibid). Furthermore, the informal CSR practices usually implemented by the micro units are less monetary consuming, reflecting the literature argument defining MSMEs as cash limited.

4.3 Informality in Ludhiana

4.3.1 Workforce composition and characteristics in Ludhiana

Before explaining how the process of labour's informalisation works in the Ludhiana's context, I want to give to the reader a brief description of the workforce in the MSMEs interviewed. The key findings regarding the labour force will be presented in the next paragraphs.

- Most of the workers in the units, independently from the task carried out, are males. Particularly, in the micro-embroidery units, the workforce is characterized only by males (29.04 First, Second & Third Interview, 2016), while for the other MSMEs the percentage of men swings between 70 and 95%.
- The average age of the employees is between 20 to 45/50 years old and it has been underlined by more than one interviewee that no one under 18 years old is hired (28.04 First Interview; 27.04 Third Interview, 2016). Only in the micro-embroidery units there is child labour and people usually start working at the age of 10/11 years, because of poverty (29.04 Second Interview, 2016; 2). Particularly, the training programme lasts for a period of around 3/4 years (29.04 First Interview, 2016; 4).
- Regarding the geographical provenience, most the workers come from out of Punjab (28.04 Second Interview, 2016; 2) and mainly from Uttar Pradesh (UP), Bihar and in some part, also Odisha and Himachal Pradesh.
- The skills level varies from seasonal and regular workers. Indeed, while the former ones are usually unskilled and confined to the simplest jobs, the regular ones are defined as *“the master of the machines [...] the professional in the field”* (27.04 Second Interview, 2016; 6). Regarding the educational level, most of the employees (excluding the staff) are uneducated and as declared by one respondent, *“it is just essential that they can read but it is not required any specific educational qualifications”* (28.04 First Interview, 2016; 1).
- About the mode of recruitment, it has been seen that most of the SMEs use contract labours (28.04 First, Second & Third Interview, 2016; 26.04 First & Second Interview, 2016; 27.04 Second & Third Interview, 2016). Only the micro units do not present this feature and the process of recruitment is based through personal relations or reference (29.04 First, Second & Third Interview, 2016).
- Regarding the composition of the workforce in the Ludhiana’s MSMEs, it has been noted that all the units take advantage of seasonal workers even if not directly stated. They are usually in the position of helpers or low level staff (28.04 First Interview, 2016; 1) and account for half of the firm’s labour force. Home-based workers, instead, are used only by the micro-embroidery firms (29.04 First & Third Interview, 2016).
- Due to the massive usage of seasonal workers, the turnover of the employees is high. For instance, one unit’s owner declared that usually more than 50% of the workforce is shuffled every year (28.04 First Interview, 2016; 1). Though it appeared that not only seasonal workers change but also the regular ones, which usually stay in the same industrial premise for a period of 4/5 years (27.04 Second Interview, 2016; 1). It works differently for the micro-embroidery units where, instead, excluding the seasonal employees, the regular labour force works in the same firm for at least 10 to 15 years (29.04 First, Second & Third Interview, 2016).

The findings reflect some previous empirical researches done by Mezzadri (2014a; 2016b), about informality and the Indian garment industry. These were showing the Indian MSMEs characterized by a systematic exploitation of societal inequalities, like gender, age and geographical provenience, in order to attain flexibility advantages (Mezzadri, 2014b). The consequences the workforce composition and characteristics have on informality and CSR implementation in the Ludhiana's context will be described in detail in the following section.

4.3.2 Informalisation of labour in factory-realms of production in Ludhiana and the consequent repercussion on CSR implementation

As previously stated in the literature review, the process of informalisation involves a *“systematic exploitation of informal mechanism to control the labour force, based on deeply-rooted inequalities and structural differences, like gender, age, geographical provenience etc.”* (Mezzadri, 2012). During my fieldwork, it has been evidenced that in the factory-realms of production in the Ludhiana's knitwear cluster, migration's patterns are the dominant modality of labour informalisation. This and the recruitment process, mainly based on labour-contractors, made the implementation of CSR norms complex and ineffective.

In Ludhiana, factory-based labour is primarily male and migratory, coming from different North Indian states, in particular UP and Bihar. According to the field findings, male migrants' workers can be categorized in two different blocks: the skilled ones that stay longer in the same MSME and usually go back home only for holidays and festivals (27.04 Second Interview, 2016; 3) and the unskilled ones, which instead are engaged in multiple processes of labour circulation. Particularly, three patterns of circulation seem to exist for the latter ones. The first one is a yearly process characterized by workers going back and forth between Ludhiana and their place of origin (25.04 First Interview 2016; 1; 26.04 Second Interview, 2016; 3; 27.04 Second Interview, 2016; 28.04 Third Interview, 2016; 3 & 4). The second pattern, instead, indicate the pace through which they switch between units in the Ludhiana's context (28.04 Second Interview, 2016; 3; 28.04 Third Interview, 2016; 1). Specifically, this happens because of the minimal variation in wages between the units. Finally, the third and last type of circulation entails workers matching out of the sweatshop system once their working life is finished, around the age of 45/50. The empirical findings obtained reflect previous researches done in the Indian garment industry by Mezzadri (2016b), which experienced the same processes of labour circulation in the National Capital Region (NCR). Particularly, the recruitment process of this 'unstable'/seasonal workforce is mostly based on labour contractors (25.04 First Interview, 2016; 28.04 Second Interview, 3), as declared by the interviewees. Both the presence of contractors shaping the labour

chain and the existence of a local sweatshop system based on the exploitation of male migrant workers make CSR norms inefficient.

Furthermore, these circular migrations processes imply a high labour turnover in the cluster. While the units' owners argued that this high renewal rate is due to the migrant' worker choices to move, I perceived that this working arrangement benefits tremendously the firms, as it offers a flexible pool of labour at a very cheap cost letting them to be flexible. However, also as pointed out by an employee of the INTUC, Indian trade labour, the migration processes are also a choice of the workers, which prefer to be more flexible and enjoy 'freedom'(2.05 Second Interview, 2016; 3). This statement support De Neve's (2014) argument regarding individual labour agency decisions as an influencer in CSR adoption in developing countries' MSMEs. Finally, the informalisation of labour seems also to involve an indirect process of "informalisation of CSR practices" over health and safety concerns (Mezzadri, 2014a). Indeed, while for the skilled employees (which are the regular ones) the firms pay PF and ESI contributions rates, the seasonal workers are lacking of this.

4.4 CSR perceptions in Ludhiana

4.4.1 Definitions and perceptions of CSR for Ludhiana's MSMEs

In the following section I will present the different definitions and perceptions of Corporate Social Responsibility given by the interviewees. The respondents have given no universal explanation of the term CSR but I have identified two predominant answers: "*taking care of the labour*" (26.04 Second Interview; 27.04 First & Third Interview; 28.04 First and Third Interview, 2016) and "*improvement of the environment*" (26.04 Second Interview; 27.04 First Interview, 2016). Indeed, when directly requesting a personal definition of CSR, firms across the cluster acknowledged labour welfare as the most predominant answer, then followed by environmental welfare. It has to be underlined that the dyeing units are the only ones who gave this second definition of CSR and this is due to their 'polluting trait'. In a less amount (actually only one industrial unit) has perceived CSR also as being involved in "*community welfare*" (28.04 Third Interview, 2016). These findings reflect previous empirical researchers, like the one of Sachdeva and Panfil (2008). Indeed, their project found that there was no uniform understanding or definition of CSR amongst Indian MSMEs and that the predominant answer encountered was "employee welfare".

Clearly, as stated by the respondents, CSR actions are company driven and so perceived as "*voluntary implemented activities*" (27.04 First Interview, 2016; 2), excluding the mandatory ones: like PF, ESI and ETPs

for the dyeing units. Indeed, they are usually not recognized as ‘monitoring systems’ imposed by outsiders, but instead they see CSR actions as support activities implemented by them on a voluntary basis when there is a lack of government action (26.04 Second Interview, 2016; 1). The aspect of voluntariness is also underlined by the absence of a dedicated budget for CSR: a characteristic, which was shared by all the respondents. An exception regards the exporters, which are usually exposed to interactions with larger sphere’s actors (e.g. global buyers, exporters etc.). For instance, one exporter interviewed have a critical perception of CSR activities, declaring:

“I say one thing frankly...CSR implementation, nobody can do by heart! They do only if they are pushed, otherwise in normal factories...80-90% industries, they don't implement CSR. Small scale industries they don't want to implement CSR because it costs...for the CSR implementation there are very big costs, they don't want to spend money in CSR but they want to spend them on production! [...] This is a frankly answer, usually in the normal industry factories it works like this [...] we are exporters, we work for big brands, big companies so that's why we mainly implement these things. Before, I say 15 years back, normally we were implementing normal techniques...then buyers where coming here to check, with inspectors and they were telling us "Implement CSR, implement CSR!"... and then we did CSR.” (28.04 First Interview, 2016; 1)

Only in this case, CSR is perceived as an imposition from external actors. This support the argument of Khan and Lund-Thomsen (2011) which consider CSR norms implemented by developing country’s MSMEs, as a way of ‘Western cultural and economic Imperialism’ imposed by the global buyers (Ibid).

4.4.1.1 Drivers and recipients for CSR involvement

As just said, the interviewed MSMEs, a part for one answer, rarely declared that the implementation of CSR was imposed by remote business or institutional environments. Therefore, I continued to look for the motivating factors that induce their implementation. So, why are the units carrying out these activities? It has been seen that the implementation of CSR actions is mostly driven by the personal values of the owner/manager and especially on the closeness or responsibility they feel for their workforce and the local community.

Indeed, when directly asked who are the recipients of the responsible activities taken, most of the units mentioned the employees (26.04 First & Second Interview; 27.04 Second Interview; 28.04 Second & Third Interview, 2016), the community (26.04 First and Second Interview; 27.04 Second Interview; 28.04 Second & Third Interview, 2016) and the enterprise’s owner itself (27.04 Second Interview; 28.04 Third Interview,

2016). Only one MSME stated the buyers (28.04 First Interview, 2016; 2), while no one quoted the government, which is seen as a motivating factor only for bigger firms:

“Regarding the government I was saying that companies, which earn more than 200 crores they have to spend 2% for CSR...if not they don't force us to take CSR.” (26.04 First Interview, 2016; 2)

The most consistent reason, accordingly, given for engaging in CSR actions are ethics and humanitarian reasons. Indeed, the majority of the owner's units perceived CSR as their moral duty (26.04 First & Second Interview, 27.04 Second & Third Interview, 28.04 Third Interview; 2016) *“towards both the environment and the social world”* (27.04 Second Interview, 2016; 2). The micro-units interviewed, which focus their activity on donations and charity to both religious associations and to the community, gave as the engaging reason religious values/duty (29.04 First, Second & Third Interview, 2016). As declared by one of them: *“Our community [Muslim] is really religious and following the Koran, our religious book, it says that we have to do charity and that's why we do that.”* (29.04 Third Interview, 2016; 1). Only one exception is represented by a shawl exporter for whom the main reason in implementing CSR activities result in the desire to have better relations with the clients (28.04 First Interview, 2016; 1 & 2). To conclude, it can be stated that the driving factors for the selection and implementation of CSR activities remain in the hands of the entrepreneur despite the presence and growth of external influences.

4.4.1.2 Communication of CSR

Regarding the communication of the CSR activities undertaken, the MSMEs interviewed mainly prefer not to advertise their actions to gain any recognition (27.04 First Interview; 27.04 Third Interview; 28.04 First Interview; 28.04 Third Interview, 2016). Few cases stated that there is an external communication but mainly through the use of word-of-mouth (26.04 Second Interview, 2016; 1) or through WhatsApp groups (26.04 First Interview, 2016; 1). For this reason, most of the actions taken by the interviewed MSMEs can be considered as *“silent CSR”*, defined by Sachdeva and Panfil (2008) as *“those actions undertaken without any publicity or expectation of financial return upon the social investment”*. Indeed, such actions are considered common/basic business practices, for instance, some respondents stated: *“I consider my CSR expenses as part of the production costs...why should I remove them?”* (28.04 First Interview, 2016; 1) or *“These are all activities needed in the factory”* (28.04 Second Interview, 2016; 1).

4.4.1.3 Obstacles and benefits of CSR

The main obstacles and barriers pointed out by the MSMEs interviewed for a more participation in CSR practices are: the lack of government permissions or government cooperation (26.04 First & Second Interview; 27.04 Second Interview, 2016) and the workers' not willingness, both regarding the payment of their PF and ESI's contribution rates or use of the PPEs (28.04 First & Third Interview; 27.04 Third Interview, 2016). Regarding the first reason, government was perceived as an obstacle only for the implementation of external or collective CSR actions, like the construction of the CETPs or the plantation activities. Surprisingly limitations in monetary resources were not directly mentioned as barriers for a more active involvement in CSR practices.

Instead, the major benefits of engaging in CSR activities, as listed by the MSMEs' interviewed, are getting a good working environment (26.04 Second Interview; 27.04 Third Interview; 28.04 First Interview, 2016), providing benefits/welfares for the community and the external surrounding (26.04 First & Second Interview; 27.04 Second Interview; 28.04 First Interview, 2016). In a less amount also an economic return (26.04 First Interview; 27.04 First & Second Interview, 2016). It seems obvious to me, that mostly the units have seen CSR as a potential advantage to establish a *"good and healthy working environment"* (27.04 Third Interview, 2016; 1) due to the predominance of individual internal CSR activities. Environmental welfare and benefits for the community are, instead, linked to the construction of parks, plantation activities and to the CETPs' creation.

Economic return and benefits for the company itself are seen by some units, but mainly in the long term and they are usually associated with a particular CSR activity: the CETPs' construction. Finally, a couple of MSMEs indirectly perceived an economic return, without frankly listing it, through the growth of trust between owner and employees, which in turn brought an increase in the productivity: *"One benefit can be the increase of trust between me and the employees and therefore an increase in the productivity."* (28.04 Third Interview, 2016; 1).

5. Conclusion

The main objective of my research was to investigate and exhibit how CSR practices are perceived and implemented by MSMEs in the Ludhiana knitwear cluster in India. In order to answer the research question posed, *"How do the MSMEs in the Ludhiana's knitwear cluster in India perceive and implement Corporate*

Social Responsibilities actions?”, I undertook seventeen semi-structured interviews with managers of MSMEs and external stakeholders (like government officials or trade unions in Ludhiana), in addition to secondary data. I have also explored the literature previously developed regarding four main topics considered relevant in aspect to the research question, which are industrial clusters, MSMEs, informalisation of labour and CSR. Regarding industrial clusters, the discussion concerned mainly the aspect of collective efficiency, defined as the competitive advantage derived from local external economies and joint actions between both micro, small and medium enterprises and local institution bodies. Concerning the second topic, MSMEs, I focused the attention on the qualitative factors defining and differentiating micro, small and medium firms from larger enterprises. Some examples of these qualitative criteria are small distinction between the role of management and ownership; primary orientation towards day-to-day problems; high degree of interrelation with the community and the environment and limited financial and managerial resources. Informality, instead, was mainly discussed regarding informal employment and how codes of conduct, elaborated as a potential way to face this issue, had a limited impact in improving working conditions due to their factory based nature. Finally, CSR was analysed between the different perspectives emerged from the literature, and the main drivers, benefits and obstacles encountered by firms located in a developing country context were presented. I therefore developed an initial conceptual framework describing the links between the previous mentioned topics and which drove me in the analysis of how CSR implementation and perception is shaped in the Ludhiana knitwear cluster.

The data, in sum, revealed that MSMEs did not have a proper and universal definition of Corporate Social Responsibility but they mainly referred the term as labour and environmental welfare. This is also in line with the typologies of CSR actions that they usually implement in their agendas and that will be subsequently summarized. Moreover, they perceive CSR actions as primary support activities implemented by them on a voluntary basis and not as ‘monitoring systems’ imposed by outsiders. The only exception was characterized by the only medium exporter interviewed, which instead has a more critical view of CSR. Only in this case, social and environmental activities are identified as a western cultural and economic imperialism imposed by the global buyers, which is also reflected in a major involvement in CSR practices. More generally, regarding the CSR activities implemented, it has been seen that the actions undertaken could mainly be grouped in two categories: individual and collective. The focus of the individual CSR actions is primarily on the internal aspect and especially towards the improvement of worker’s conditions. These kinds of activity vary from formal actions (like the payment of PF and ESI) to more informal ones, like the provision of loans to workers or the planning of religious trips. A prevalence of informal individual responsible practices has been seen, making clear that, the owner’s motivations and values are the main drivers for the CSR agenda in

these MSMEs. It has also been discovered that, the factory production in Ludhiana is characterized by a highly usage of informal labour in the form of migrant workers. This informalisation of labour also involves an indirect process of “informalisation of CSR practices” over health and safety concerns towards employees. For instance, while for regular workers the units pay PF and ESI contributions rates, the seasonal/migratory ones are lacking of this protection. Regarding collective CSR actions, the data revealed that the focus is predominantly on the environmental aspect and particularly on the construction of CETPs (for the dyeing units only). This happens because it is mandatory for the dyeing firms to have ETPs, due to a recent thickening of national environmental laws. Furthermore, the choice of CETPs has usually been preferred by the local dyeing units because of their impossibility to afford individual plants, which in turn is due to their limited financial resources. However, the construction of CETPs is not without challenges, indeed, apart free-rider problems also the absence of a strong institutional support environment seem to delay the completion. The second most implemented collective CSR activity concerns labour welfare, in particular, the way of training and development of worker’s skills. Regarding the micro-units, the data showed that between the three firms interviewed none of them implement relevant collective CSR a part charity actions toward the community and religious institutions, during holy festivals. This is also the only case showed, where a firm actually works jointly with other units without the cooperation of external institutions. For the rest of the collective CSR actions, the units usually choose as partners industry associations or, in few examples, NGOs. A part from these, collective CSR are rare and negligible compared to the individual ones, and this is mainly due to the absence of a strong institutional support environment and a lack of interest from the units in undertaking social responsible joint actions. Instead, the level of trust is perceived good and it does not seem to directly influence this type of low engagement.

In conclusion, my suggestions regarding policy implications in the Ludhiana’s knitwear cluster, mainly concern a promotion/enhancement of the support institutional environment. While the level of individual CSR engagement seemed satisfactory, collective CSR was almost negligible and it has been noted that the low engagement relies in this issue. Regarding the process of “informalisation of CSR practices” over health and safety concerns due to the exploitation from the local units of informal workers, a CSR approach covering also temporary workers could be a possible solution. In this way, the worker’s choice of generally being employed in more casual and informalized settings, will be accomplished without let them being ‘unprotected’. Moreover, the Indian law, which is nowadays mainly directed to protect workers enjoying a permanent status (Mezzadri, 2014a), should and is expected to intervene.

Regarding research implications, it can be concluded that further researches are necessary because this study is only a first attempt of exploring an unattended terrain of research. Moreover, complete information regarding informalisation of labour were not reached through my fieldworks and thus further research should focus on these 'empirical' gaps. Moreover, considering what is known now, it would be interesting to do further intensive studies and a more extensive analysis, looking at whether these findings can be true also for a larger population.

6. Bibliography

Aepcindia.com. (2016). [online] Available at: <http://aepcindia.com> [Accessed 18 Nov. 2016].

Anon, (2016). [online] Available at: <http://clusterobservatory.it> [Accessed 15 Nov. 2016].

Apex Cluster Development Services (ACDS) (2014). *Ludhiana Knitwear and Apparel Cluster: Diagnostic Study Report 2014*. (https://www.sidbi.in/sites/default/files/Ludhiana_Report.pdf)

Bktkindia.com. (2016). [online] Available at: <http://bktkindia.com> [Accessed 18 Nov. 2016].

Blowfield, M., & Frynas, J. G. (2005). Editorial Setting new agendas: critical perspectives on Corporate Social Responsibility in the developing world. *International affairs*, 81(3), 499-513.

Bryman, A. (2008). *Social research methods*. Oxford university press.

Bryman, A., & Bell, E. (2015). *Business research methods*. Oxford University Press, USA.

Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34, 39–48.

Carswell, G., & De Neve, G. (2013). Labouring for global markets: Conceptualising labour agency in global production networks. *Geoforum*, 44, 62-70.

Castells, M. and A. Portes. (1989). "World Underneath: The Origins, Dynamics, and Effects of the Informal Economy." In A. Portes, M. Castells & Lauren A. Benton, eds. *The Informal Economy: Studies in Advanced and Less Advanced Developed Countries*. Baltimore, MD, USA: John Hopkins University Press.

Chen, M. A. (2012). The informal economy: Definitions, theories and policies. *Women in informal economy globalizing and organizing: WIEGO Working Paper*, 1.

Cicuindia.org. (2016). *Welcome to Chamber of Industrial & Commercial Undertakings (CICU)*. [online] Available at: <http://cicuindia.org> [Accessed 16 Nov. 2016].

Commission of the European Communities (2011). 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee of the Regions: a renewed EU strategy 2011–14 for Corporate Social Responsibility', Brussels, 25.10.2011 COM(2011) 681 final.

Demuijnck, G., & Ngnodjom, H. (2013). Responsibility and informal CSR in formal Cameroonian SMEs. *Journal of business ethics*, 112(4), 653-665.

De Neve, G. (2014). Fordism, flexible specialization and CSR: How Indian garment workers critique neoliberal labour regimes. *Ethnography*, 15(2), 184-207.

De Oliveira, J. A. P., & Fortes, P. J. D. O. C. (2014). Global value chains and social upgrading of clusters: Lessons from two cases of fair trade in the Brazilian northeast. *Competition & Change*, 18(4), 365-381.

Enderle, G. (2004). Global competition and corporate responsibilities of small and medium-sized enterprises. *Business Ethics: A European Review*, 13(1), 50-63.

Eriksson, P., and Kovalainen, A. *Qualitative methods in business research*. Sage, 2008. Ch 12.

European Commission. Directorate-General for Employment. (2001). *Promoting a European Framework for Corporate Social Responsibility: Green Paper*. Office for Official Publications of the European Communities.

European Union Commission. (2003). Commission recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises. *Official Journal of the European Union*, 46, 36-41.

Flyvbjerg, B. (2006). Five misunderstandings about case-study research. *Qualitative inquiry*, 12(2), 219-245.

Foundation for MSME Clusters (FMC) (2016). *Diagnostic Study Report: Dyeing Cluster – Ludhiana*.

Gereffi, G., & Lee, J. (2016). Economic and social upgrading in global value chains and industrial clusters: Why governance matters. *Journal of Business Ethics*, 133(1), 25-38.

Giuliani, E. (2005). Cluster absorptive capacity why do some clusters forge ahead and others lag behind? *European urban and regional studies*, 12(3), 269-288.

Giuliani, E. (2016). Human rights and corporate social responsibility in developing countries' industrial clusters. *Journal of Business Ethics*, 133(1), 39-54.

Giuliani, E., Pietrobelli, C., & Rabellotti, R. (2005). Upgrading in global value chains: lessons from Latin American clusters. *World development*, 33(4), 549-573.

Griffin, G. (Ed.). (2015). *Cross-Cultural Interviewing: Feminist Experiences and Reflections* (Vol. 18). Routledge.

Growth. (2016). *What is an SME? - Growth - European Commission*. [online] Available at: <http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/> [Accessed 15 Sep. 2016].

Guba, E. G., & Lincoln, Y. S. (1989). *Fourth generation evaluation*. Sage.

Gulati, M. (2012, December). Business responsibility: Global value chains, industrial clusters, and the future of CSR in India. In *workshop Global Value Chains, Industrial Clusters, and the Future of CSR in the BRICS countries, Copenhagen Business School* (pp. 12-14).

Hart, K. (1973). Informal income opportunities and urban employment in Ghana. *The journal of modern African studies*, 11(01), 61-89.

Husmanns, R. (2004). *Measuring the informal economy: From employment in the informal sector to informal employment*. Policy Integration Department, Bureau of Statistics, International labour Office.

Inyang, B. J. (2013). Small-and medium-sized enterprises engagement in CSR. In *Encyclopedia of Corporate social responsibility* (pp. 2160-2167). Springer Berlin Heidelberg.

Imenda, S. (2014). Is there a conceptual difference between theoretical and conceptual frameworks. *Journal of Social Sciences*, 38(2), 185-195.

İPLİK, F. N., & KILIÇ, K. C. (2009). Small-and Medium-Sized Enterprises (SMEs) Entering International Market for Sustainable Growth.

- Jamali, D., Lund-Thomsen, P., & Khara, N. (2015). CSR Institutionalized Myths in Developing Countries: An Imminent Threat of Selective Decoupling. *Business & Society*, 0007650315584303.
- Jamali, D., & Mirshak, R. (2006). Corporate social responsibility (CSR): Theory and practice in a developing country context. *Journal of Business Ethics*, 72(3), 243–262.
- Järvensivu, T., & Törnroos, J. Å. (2010). Case study research with moderate constructionism: Conceptualization and practical illustration. *Industrial Marketing Management*, 39(1), 100-108.
- Justesen, L. N., & Mik-Meyer, N. (2012). *Qualitative research methods in organisation studies*. Gyldendal. Ch. 1.
- Khan, F. R., & Lund-Thomsen, P. (2011). CSR as imperialism: Towards a phenomenological approach to CSR in the developing world. *Journal of Change Management*, 11(1), 73-90.
- Knorringa, P., & Nadvi, K. (2016). Rising power clusters and the challenges of local and global standards. *Journal of Business Ethics*, 133(1), 55-72.
- Kvale, S. (1996). *Interviews: An introduction to qualitative research interviewing*. Sage Publications, Inc.
- Lichtman, M. (2014). *Qualitative Research for the Social Sciences*. Sage Publications.
- Luetkenhorst, W. (2003). *Corporate social responsibility and the development agenda: Should SMEs care?* (Working Papers No. 13). Vienna: United Nations Industrial Development Organizations.
- Luetkenhorst, W. (2004). Corporate social responsibility and the development agenda. *Intereconomics*, 39(3), 157-166.
- (a) Lund-Thomsen, P., Lindgreen, A., & Vanhamme, J. (2016). Special Issue on Industrial Clusters and Corporate Social Responsibility in Developing Countries. *Journal of Business Ethics*, 133(1), 5-8.

(b) Lund-Thomsen, P., Lindgreen, A., & Vanhamme, J. (2016). Industrial clusters and corporate social responsibility in developing countries: what we know, what we do not know, and what we need to know. *Journal of Business Ethics*, 133(1), 9-24.

Lund-Thomsen, P., & Pillay, R. G. (2012). CSR in industrial clusters: An overview of the literature. *Corporate Governance: The international journal of business in society*, 12(4), 568-578.

Marshall, A. (1920). *Principles of Economics*. London: Macmillan.

Matten, D., & Moon, J. (2008). "Implicit" and "explicit" CSR: a conceptual framework for a comparative understanding of corporate social responsibility. *Academy of management Review*, 33(2), 404-424.

Meagher, K. (2013). Unlocking the informal economy: A literature review on linkages between formal and informal economies in developing countries. *Women in Informal Employment: Globalizing and Organizing (WIEGO) Working Papers*. Cambridge.

Miles, M., Huberman, M., and Saldana, J. (2013). *Qualitative data analysis: A methods sourcebook*. Sage Publications, 2013. Ch.4.

Mezzadri, A. (2010). Globalisation, informalisation and the state in the Indian garment industry. *International Review of Sociology—Revue Internationale de Sociologie*, 20(3), 491-511.

Mezzadri, A. (2012). Reflections on Globalisation and Labour Standards in the Indian Garment Industry: Codes of Conduct Versus 'Codes of Practice' Imposed by the Firm. *Global Labour Journal*, 3(1).

(a) Mezzadri, A. (2014). Backshoring, local sweatshop regimes and CSR in India. *Competition & Change*, 18(4), 327-344.

(b) Mezzadri, A. (2014). Indian garment clusters and CSR norms: Incompatible agendas at the bottom of the garment commodity chain. *Oxford Development Studies*, 42(2), 238-258.

(a) Mezzadri, A. (2016). The informalization of capital and interlocking in labour contracting networks. *Progress in Development Studies*, 16(2), 124-139.

(b) Mezzadri, A. (2016). Class, gender and the sweatshop: on the nexus between labour commodification and exploitation. *Third World Quarterly*.

MSME Development Act 2006 (2006), Ministry of the District Industry Centers (DIC) MSME, Government of India.

MSME DI (2010). *Brief Industrial Profile of district Ludhiana*.

(http://www.msmedildh.gov.in/Profiles%202016/Ludhiana_16.pdf)

Murillo, D., & Lozano, J. M. (2006). SMEs and CSR: An approach to CSR in their own words. *Journal of Business Ethics*, 67(3), 227-240.

Nadvi, K. (2015). Industrial clusters, industrial policy and poverty reduction. *Routledge Handbook of Industry and Development*, 116.

Nadvi, K., & Schmitz, H. (1994). Industrial clusters in less developed countries: review of experiences and research agenda. *Discussion papers*, (339).

Narula, R. (2004). R&D collaboration by SMEs: new opportunities and limitations in the face of globalisation. *Technovation*, 24(2), 153-161.

National Council of Applied Economic Research (NCAER). (2009). Assessing the prospects for India's textile and clothing sector.

(http://texmin.nic.in/sites/default/files/Report_NCAER_CITI_nmcc_20091001.pdf)

Parto, S. (2008). Innovation and economic activity: an institutional analysis of the role of clusters in industrializing economies. *Journal of economic issues*, 42(4), 1005-1030.

Perry, G. (Ed.). (2007). *Informality: Exit and exclusion*. World Bank Publications.

Porter, M.E. (1998). Clusters and the new economics of competition. *Harvard Business Review*, 76(6), 77-90

Porter, M. E. (2000). Location, competition, and economic development: Local clusters in a global economy. *Economic development quarterly*, 14(1), 15-34.

Ppcb.gov.in. (2016). *Website*. [online] Available at: <http://ppcb.gov.in/index.aspx> [Accessed 16 Oct. 2016].

Prieto-Carrón, M., Lund-Thomsen, P., Chan, A., Muro, A., & Bhushan, C. (2006). Critical perspectives on CSR and development: what we know, what we don't know, and what we need to know. *International Affairs*, 82(5), 977-987.

Pyke, F., & Lund-Thomsen, P. (2015). Social upgrading in developing country industrial clusters: A reflection on the literature. *Competition & Change*, 1024529415611265.

Raynard, P., & Forstater, M. (2002). Corporate social responsibility: Implications for small and medium enterprises in developing countries.

Ritzer, G., & Ryan, J. M. (Eds.). (2010). *The concise encyclopedia of sociology*. John Wiley & Sons.

Sachdeva, A., & Panfil, O. (2008). CSR perceptions and activities of small and medium enterprises (SMEs) in seven geographical clusters—Survey report. *Vienna: United Nations Industrial Development Organization*.

Sameeksha (2011). *Cluster Profile: Ludhiana knitwear cluster*.

(http://sameeksha.org/pdf/clusterprofile/Ludhiana_knitwear_cluster.pdf)

Saunders, M. N. K., Lewis, P., & Thornhill, A. (2008). *Research methods for business students*. Pearson Education M.U.A.

Scherer, A. G., & Palazzo, G. (2011). The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy. *Journal of management studies*, 48(4), 899-931.

Scherer, A. G., Rasche, A., Palazzo, G., & Spicer, A. (2016). Managing for Political Corporate Social Responsibility: New Challenges and Directions for PCSR 2.0. *Journal of Management Studies*, 53(3), 273-298.

Schmitz, H., & Nadvi, K. (1999). Clustering and industrialization: introduction. *World development*, 27(9), 1503-1514.

Soundararajan, V., Spence, L. J., & Rees, C. (2016). Small Business and Social Irresponsibility in Developing Countries Working Conditions and "Evasion" Institutional Work. *Business & Society*, 0007650316644261.

Scott, D., Hargreaves, E. (Eds.). (2015). *The SAGE Handbook of learning*. SAGE Publications Ltd.

Spence, L. J. (1999). Does size matter? The state of the art in small business ethics. *Business ethics: a European review*, 8(3), 163-174.

Tewari, M. (1999). Successful adjustment in Indian industry: The case of Ludhiana's woolen knitwear cluster. *World Development*, 27(9), 1651-1671.

The Economic Times. (2016). *Tirupur shows Ludhiana how it is done - The Economic Times*. [online] Available at: http://articles.economictimes.indiatimes.com/2003-09-17/news/27543976_1_tirupur-exporters-association-hosiery-industry-quota-countries [Accessed 16 Nov. 2016].

Tran, A. N., & Jeppesen, S. (2016). SMEs in their Own Right: The Views of Managers and Workers in Vietnamese Textiles, Garment, and Footwear Companies. *Journal of Business Ethics*, 1-20.

Uchikawa, S. (2012). The Development of Apparel Industrial Cluster in India. A Comparison between Ludhiana and Tiruppur.

Visser, W. (2008) Corporate Social Responsibility in Developing Countries, In A. Crane, A. McWilliams, D. Matten, J. Moon & D. Siegel (eds.), *The Oxford Handbook of Corporate Social Responsibility*, Oxford: Oxford University Press, 473-479.

Vives, A. (2006). Social and environmental responsibility in small and medium enterprises in Latin America. *The Journal of Corporate Citizenship*, (21), 39.

Von Weltzien Høivik, H., & Shankar, D. (2011). How can SMEs in a cluster respond to global demands for corporate responsibility? *Journal of Business Ethics*, 101(2), 175-195.

Yin, R. K. (2014). *Case study research, Design and Methods*. Sage Publications.

7. Appendices

Appendix 1: Interview Guide for MSMEs' owners

Interview Guide for MSMEs' owners

Duration interview: ca. 1,5/2 hours

Basic Respondent information

1. Name of the enterprise:
2. Name of the respondent(s) and respective position(s) in the company:
3. What is your background? Education, work experience...

Enterprise History

4. Can you provide me with a brief description of your enterprise?
 - When was it founded?
 - Is this a family enterprise?
 - What type of business form do you have? (E.g. partnership, solo proprietorship, corporation)
 - How did it evolve/change during these years? (Regarding the product portfolio, the customer base, production process...)

Company Profile

Customer base

5. Who are your customers?
6. And your main markets? (Domestic market: Local, regional; Export market)
7. Which kind of request do your customers have? (E.g. pricing, delivery time, quality, design...)

Products and production process

8. Could you describe me your product portfolio?
9. How does the production process work? Which are the main steps?
10. Which kind of machinery and technology do you employ?
11. Is the production seasonal? If yes, could you tell me the timeframe of your production period? (E.g. from which month to which month)
12. If the production quantity asked by a customer is more than your actual capacity, how do you handle the situation? (E.g. do you refuse the order? find partners btw the cluster?)

Management of the workforce

13. How many workers do you have?
14. Could you describe me your workforce? (Composition in age, sex, caste, geographical provenience)
 - Do you use seasonal workers? If yes, which is the percentage on the total?
 - Do you employ "external workers"? If yes, are they dedicated to specific tasks of the production process? Which ones?
 - Do you also employ home-based workers? If yes, which is the percentage on the total?
15. How do you recruit/hire and fire your workforce? ~~Do you use contractors?~~
16. Which are their skills and educational level?

17. How do you train and upgrade the skills of your workforce?
18. Do you use a line system or does a worker produce a single unit/product all by himself?
19. How many product units do a worker produce on average in a day?
20. Which is the annual attrition rate (turnover) of the workforce?

Cluster

21. Can you briefly describe the composition of the cluster? (E.g. number and typology of the enterprises)
22. Do the company have some kind of relations with the other enterprise in the cluster? If yes, which ones?
23. Which kind of other organizations are present in the cluster? (E.g. NGOs, Government support organization, Business associations, Training institutions...)
24. Do the company have any links/relations with some of them? If yes, briefly describe them.
25. The “Foundation for MSMEs Clusters” (FMC) is present in the Ludhiana cluster. What support does it provide to the SMEs?
26. Which kind of activities does they promote/do?

CSR perception

27. In general, do you think that a company has a responsibility for social issues? (E.g. human rights, environment, charities, training and development, health care initiatives...)
28. What does Social Responsibility mean to you and your business? Could you give me a brief definition? (E.g. Taking care of labour, Monitoring System imposed by your clients, Guideline for environmental and social issues, Involving in community welfare, Follow certification system...)
29. Do you perceive your company to be socially responsible? What aspects of CSR do your company give the most importance? (btw economic, social & environmental aspect)

CSR activities & communication of them

30. What kind of activities concerning CSR do you have? Give some examples.
31. For examples, why do you provide (EXAMPLE GIVEN BY THE RESPONDENT) to your workers? Why is it important for you (or is not)? Why do you think is one (or not) of your issues?
32. Which are the main reasons you are engaged in these types of activities?
33. Which kinds of Corporate Social Responsibility issues exist in your industry or cluster?
34. Who is (or are) the main driver(s) of your social responsible activities? E.g.
 - Employees
 - Enterprise owner
 - Community
 - Global customers
 - Government
35. Are your CSR activities targeted at any particular stakeholders?
36. Does any external agency forced/motivated you to implement social responsible activities? If yes, which were the arguments in their motivation? (E.g. Support by the external agency, Preferred supplier, Larger contract volume or longer duration, Positive attractive image in the media, Government funding...)

37. Would you or Do you work with any other enterprises or institutions in a collective CSR initiative? (E.g. enterprise in network, enterprise in cluster, NGOs, local government, religious organization...)
38. If yes, in which activities have you been engaged in?
39. Do you prefer individual or collective social responsible activities? Why?
40. What impact did your CSR activities have on the cluster? Regarding:
- Enterprises cooperation,
 - Health and environmental issues,
 - Improvement (social and economical),
 - Attractiveness of the cluster (investments, visibility...).
41. Is there a dedicated budget for CSR? (E.g. 2% of the net profit?)
42. Have you ever undertaken any of the activities given before even when the firm was running a loss? If yes, which ones? If no, why were not implemented? (E.g. No pressure to do it, Not important for business performance, Lack of social institutions to assist, Too expensive to implement, No visible gain...)
43. Generally do you communicate your CSR activities undertaken? If yes, how?

Barriers and opportunities of CSR

44. Which barriers did you face when implementing any CSR activity? Examples.
45. What are the benefits (both short and long term) of engaging in CSR activities?

Appendix 2: Interview guide for Government officials

Interview Guide for Government Officials

Duration interview: ca. 1 hour

DIC

1. Name of the organization/association:
2. Name of the respondent(s) and respective position(s):
3. When did it start your work?
4. In what does it consist your activity?
5. Could you give me some examples of the schemes you implemented especially regarding CSR activities?
6. Do these kinds of schemes also involve MSMEs or only large firms?
7. Which are the major issues that the Ludhiana's SMEs are facing up nowadays?
8. Regarding MSMEs in the Ludhiana knitwear cluster, how do they perceive social responsible activities? Do they implement any kind of CSR actions?
9. Apart your initiatives, which other organization (gov. and not) help SMEs in upgrading?
 - And in becoming sustainable? (Regarding social responsible actions)

MSME-DI

1. Name of the organization/association:
2. Name of the respondent(s) and respective position(s):
3. When and how did the reality of industrial cluster or district emerge in India? And in Ludhiana?
4. When did it start your work?
5. In what does it consist your activity?
6. Could you give me some examples of the schemes you implemented especially regarding CSR activities/social responsible actions?
7. How is your relationship with SMEs?
 - Are they favorable to collaborate?
 - Do they usually follow your schemes?
8. Which are the major issues that the Ludhiana's SMEs are facing up nowadays?
9. Regarding SMEs in the Ludhiana knitwear cluster, how do they perceive social responsible activities? Do they implement any kind of CSR actions?
10. Apart your initiatives, which other organization (gov. and not) help SMEs in upgrading?
 - And in becoming sustainable? (Regarding social responsible actions)

PPCB Ludhiana

1. Name of the organization/association:
2. Name of the respondent(s) and respective position(s):

3. When did it start your work?
4. In what does it consist your activity?
5. Could you give me some examples of the schemes/acts you implemented especially regarding CSR activities/social responsible actions?
6. How is your relationship with MSMEs?
 - Are they favorable to collaborate?
 - Do they usually follow your schemes?
7. Which are the major issues that the Ludhiana's SMEs are facing up nowadays?
 - Regarding SMEs in the Ludhiana knitwear cluster, which are their main environmental issues they face?
8. Regarding SMEs in the Ludhiana knitwear cluster, how do they perceive social responsible activities? Do they implement any kind of CSR actions?
9. Apart your initiatives, which other organization (gov. and not) help SMEs in upgrading?
 - And in becoming sustainable? (Regarding social responsible actions)

Appendix 3: Interview guide for other stakeholders

Interview Guide for other stakeholders (Train Institutions & Trade Labors)

Duration interview: ca. 1 hour

Basic Respondent information

1. Name of the institution/association:
2. Name of the respondent(s) and respective position(s):
3. When did it start your work? When was it founded the institution?
4. In what does it consist your activity?
5. How does it run this association? (e.g. How is it founded? How many worker/people are involved? Is it mandatory for worker to be part of the trade labour?)
6. Which have been the major goals you achieved regarding the improvement of workers' condition? (TRADE LABOUR)

Workforce involved in the Trade Labour & Train Institutions

7. How many workers are part of the association/institution? (TL)
 - Are workers willing to be part of the association?
8. Could you describe me the composition of the workers/people involved? (Composition in age, caste, geographical provenience, industry of employment...) (BOTH)
9. Which kind of industrial units mainly contact you for employ your trainers? (E.g. dimension of the unit, industry...) (TI)
10. Apart your initiatives, which other organization (gov. and not) help workers in improving their condition? (BOTH)

SMEs relations

11. *Do you have any kind or relationship/link with MSMEs of the Ludhiana's knitwear cluster? If yes, briefly describe them.*
12. Regarding MSMEs in the Ludhiana knitwear cluster, how do they perceive social responsible activities? Do they implement any kind of CSR actions?
13. Apart your initiatives, which other organization (gov. and not) help MSMEs in upgrading? (Not only regarding worker condition but also other social issues) (TL)
 - And in becoming sustainable?
14. Which are the major issues that the Ludhiana's SMEs are facing up nowadays?
15. Which are the main Social Responsible issues SMEs are facing up nowadays?

Appendix 4: Participant Information Sheet

Corporate Social Responsibility in the Ludhiana knitwear cluster: an exploration through the MSMEs perspective

Participant Information Sheet

The purpose of this research is multiple. First is to understand the concept of CSR and how social responsible activities are perceived by MSMEs. Second, it wants to analyze the CSR practices undertaken in the Indian manufacturing operations and their impact and benefits towards both the environment and community but primarily for the businesses itself. Third, the study will investigate the challenges faced by the enterprises in executing social responsible actions and last will try to find possible solutions or recommendations to solve the issues faced.

Taking part in this study is entirely voluntary and it is up to you to decide whether or not to take part. By choosing to either take part or not take part in the study will have no impact on you and your work. You do not have to answer any questions that make you uncomfortable. If you decide to take part, you are still free to withdraw at any time and without giving a reason.

The researcher will ask for your permission to record the interview. This is done in order to guarantee the best possible quality of the data coming out of the study. You can ask the researcher not to record the interview or stop the recording at any time without giving any reason.

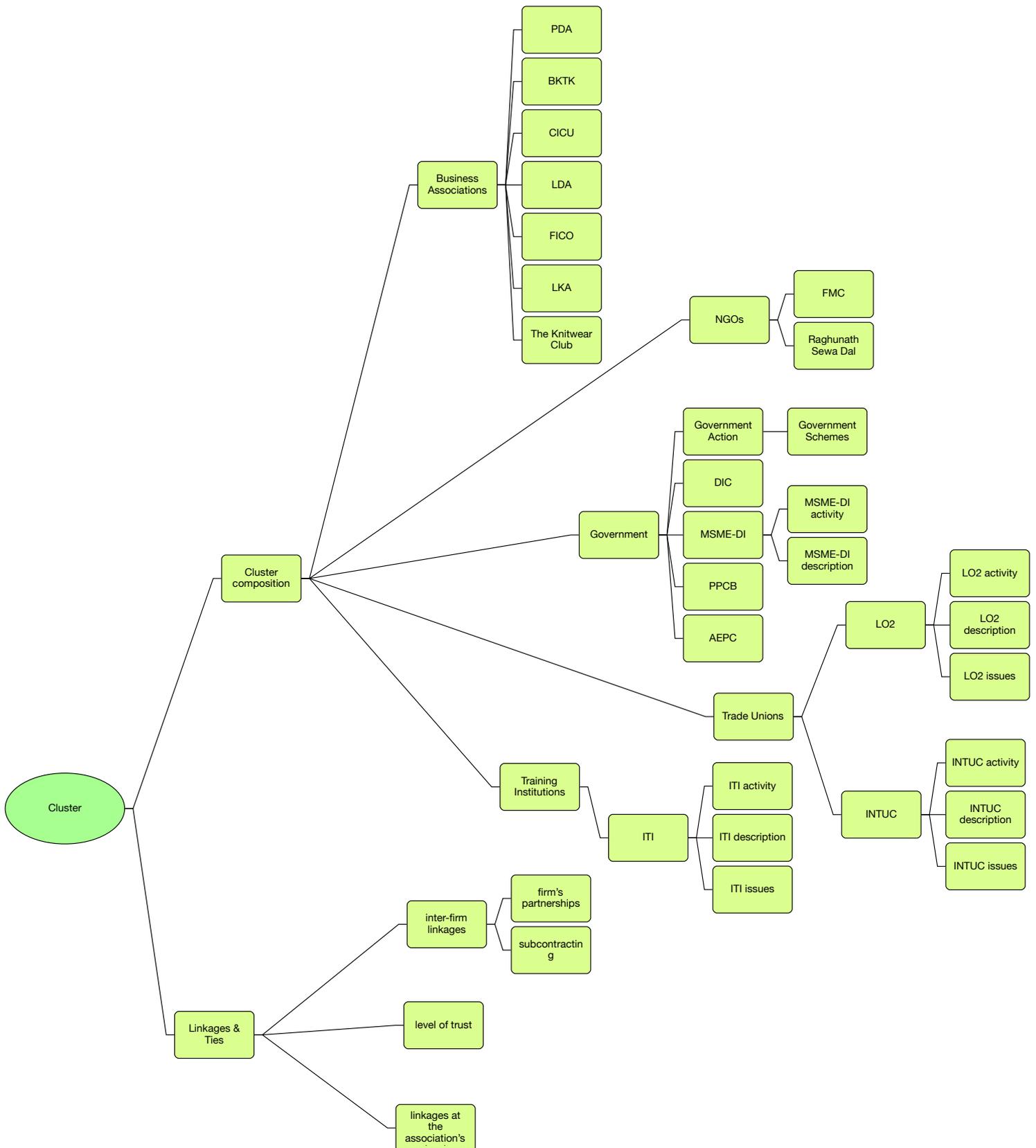
If you take up of the interview you will be invited in a one-to-one interview. The duration for this one-to-one interview will be approximately 1 hour and 30 minutes. Timing of the interview will be arranged as per your convenience.

The researcher has signed a confidentiality agreement with Copenhagen Business School. This means that all information collected will be kept strictly confidential, and your data will be de-identified using simple coding.

Thank you for taking part in this study.

Giuditta

Appendix 5: Cluster Tree-Map from Nvivo



Appendix 6: Enclosed USB