CHAPTER I
INTRODUCTION

In India, CSR is not a new phenomenon. It is essentially an ethical concept revolving around the governments as well as private organizations. This actually motivates organizations to think broadly about their obligations towards the society in which they operate rather than the just maximizing shareholders’ value or profits. Micro and macro approaches of CSR are quite prevalent in India too.

Two large and famous business groups, Tata group and Reliance industries, that account for a sizable chunk of the total business activity in India follow diverse approaches towards CSR. The Tata group follows micro approach and strengthens its campaign about social responsibility of the business through pro-CSR initiatives. J.R.D Tata, who has been instrumental in conducting the first social audit in India, remarks, “While profit motive, no doubt provides the main spark for any economic activity, any enterprise which is not motivated by the consideration of urgent services to the community becomes outmoded soon and cannot fulfill its real role in the modern
Inspired by the Pro-CSR initiatives of the Tata group, many public and private sector companies have also started contributing generously to promote social objectives.1

On the other hand, Reliance industries believed in the macro approach towards CSR. Reliance management propounds a belief that business objectives are only economic and that the firms must concentrate on producing and delivering quality goods and services at reasonable prices. If they succeed in doing so, they may be considered to have provided the best service towards the society rather than indulging in the so-called social issues.

Dhirubhai Ambani, the former chairman of the Reliance group, declared that “As an industrialist, my job is to produce goods to satisfy the demand. Let us be clear about it. Every one has to do his job. My commitment is to produce at the cheapest price and the best quality. If you dabble in everything then you make a mess of things. If we cannot take care of our shareholders and employees and start worrying about the world, then that is hypocrisy”. But the followers of Reliance group philosophy are few, and many firms have changed their mindset. Even

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the Reliance group has shifted from macro approach to micro in the recent times. Along with economic responsibilities they have started accepting the social goals and contributing towards social welfare programs, which happen to be a long-cherished tradition in India, barring a few believers in the macro approach.

India has the world’s richest tradition of CSR which mainly focuses on two aspects: Philanthropic activities and community development for national growth. Known as charity earlier, CSR has changed its conception and shifted its nature through different stages of development.

While growing with the pace of industrialization, the first stage of CSR in India was characterized by Cultural and religious values, family customs, and traditions and community donations. In other words, it was essentially charity and philanthropy. During the period 1914-1960, while the country was fighting for independence, the Gandhian theory of ‘Trusteeship’ influenced business operations to unite and amplify the social development and reforms process.

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Indian industrialists participated in nation-building programs by establishing institutes of scientific and technical learning, known as ‘Temples of Modern India’, and supported the country to be independent though indigenous manufacturing and the creation of occupations. Under the paradigm of ‘mixed economy’ during the period 1960-1980, with growth of PSUs and copious legislations on labor and environmental standards, India pushed strict legal and public relations on private sector business activities. However, public sector which was viewed as the prime driver of growth, witnessed very limited growth.

After the 1980s conventional philanthropic participation gradually diminished in India and stakeholder and multi-stakeholder approach came into domination. Under this approach, businesses started recognizing the interest of multi-stakeholders, including society, and expanded their horizon. However, the multi-stakeholder approach was quite immature due to the rare interactions among business, Civil Society Organizations (CSOs) and trade unions. With the emergence of United Nations global compact, the multi-stakeholders approach gained momentum and recognition when firms aggressively participated in the compact.\(^3\)

Table 1.1
IMPORTANT CSR MODELS

<table>
<thead>
<tr>
<th>Model</th>
<th>Focus</th>
<th>Champions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical</td>
<td>Voluntary commitment of companies to public welfare</td>
<td>M K Gandhi</td>
</tr>
<tr>
<td>Statist</td>
<td>State ownership and legal requirements determine corporate responsibility</td>
<td>Jawaharlal Nehru</td>
</tr>
<tr>
<td>Liberal</td>
<td>Corporate responsibility limited to private owners (shareholders)</td>
<td>Milton Friedma, M and Theodore Levitt</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>Companies respond to the needs of stakeholders- consumers, employees, communities, etc.</td>
<td>R Edward Freeman, Robert Ackerman and Archie B Carroll</td>
</tr>
</tbody>
</table>

Source: Adopted from “Altered images: The 2001 state of Corporate Social Responsibility in India Poll”, TERI, Europe.

According to “Altered Images: the 2001 state of Corporate Responsibility in India Poll”, a survey conducted by Tata Energy Research Institute (TERI), the evolution of CSR in India has followed a chronological evolution of 4 thinking approaches:

**Ethical Model (1930-1950)**

One significant aspect of this model is the promotion of “trusteeship” that was revived and reinterpreted by Gandhiji. Under this notion the businesses were motivated to manage their business entity as a trust held in the interest of the community. The idea prompted many family run businesses to contribute towards
socioeconomic development. The efforts of Tata group directed towards the well being of the society are also worth mentioning in this model.

**Statist Model (1950-1970s)**

Under the aegis of Jawahar Lai Nehru, this model came into being in the post independence era. The era was driven by a mixed and socialist kind of economy. The important feature of this model was that the state ownership and legal requirements decided the corporate responsibilities.

**Liberal Model (1970s-1990s)**

The model was encapsulated by Milton Friedman. As per this model, Corporate responsibility is confined to its economic bottom line. This implies that it sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

**Stakeholder Model (1990s-Present)**

This model came into existence during 1990s as a consequence of realization that with growing economic profits, businesses also have certain societal roles to fulfill. The model expects companies to
perform according to “triple bottom line” approach. The business is also focusing on accountability and transparency through several mechanisms\(^4\).

Archie B. Carrol has categorized the concept of Social Responsibility into four types:

i. **Economic Responsibilities**: An enterprise, small or big is an economic entity which has come into existence to earn profits. Thus, it becomes the first and foremost responsibility of every firm to enter into trading activities and make profit out of it. The firm must keep its customers choices and likings at the top priority and produce accordingly.

ii. **Legal Responsibilities**: Every firm has to operate within the legal framework and laws of the land. Avoidance or ignorance of law is no excuse. For example, it is mandatory to file the income-tax return, if the annual income is Rs. 1,00,000 or above.

iii. **Ethical Responsibilities**: Ethical responsibilities are not legal, hence, a firm is not under any compulsion to discharge them. However, the public has certain social expectations regarding business behaviour, and not all of which are required by law.

iv. **Discretionary Responsibilities**: Discretionary responsibilities are purely voluntary obligations that an organisation assumes. For example, donation to relief funds, philanthropy, planting trees for environmentalism, scholarship assistance for employees’ dependents etc, can be categorized as discretionary responsibilities.

However, there is a difference between ethical and discretionary responsibilities. Former are what society considers important and expect a firm to discharge and spend funds on it whereas the latter aren’t considered very important by the society.\(^5\)

**1.1. STATEMENT OF THE PROBLEM**

The textile industry occupies a unique place in the country. It accounts for fourteen percent of the total industrial production contributes to nearly thirty percent of the total exports and in the second largest employment generator after agriculture. It provides direct employment to about thirty five million people and to another fifty million in allied areas. It means that one out of every six Indians is linked to the textile sector.

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Textile industry is providing one of the most basic needs of people and holds sustained growth for improving quality of life. It has a unique position as a self-reliant industry, from the production of raw materials to the delivery of finished products with substantial value-addition at each stage of processing. It is a major contributor to the Indian economy with vast potential for creation of employment opportunities in the agricultural, industrial, organized and decentralized sectors and rural and urban areas, particularly for women.

Although the development of textile sector was earlier taking place in terms of general policies, in recognition of the importance of this sector, for the first time a separate policy statement was made in 1985 in regard to development of textile sector. The industry was de-licensed in 1991-92 and from then the per capita cloth availability increased from 41390 qty in million sq. mtrs (2001-2002) to 50774 qty in million sq.mtrs (2010-11 April - Jan). The textile policy of 2000 aims at achieving the target of textile and apparel exports of US $50 billion by 2010 of which the share of garments were achieved US $25 billion (Rs. 11500 crores) upcoming the 11th five year plan, at 2012 the targeting amount of Rs. 25,000 crores in particularly garment
sector. The main markets for Indian textiles and apparels are USA, UAE, UK, Germany, France, Italy, Russia, Canada, Bangladesh and Japan\(^6\).

Corporate Social Responsibility is synonymous with voluntary and philanthropic acts by business organizations designed to alleviate social ills or benefit a disadvantaged group chosen by the corporation’s managers. More importantly with the onslaught of the globalization, the challenges facing the textile sector are ever growing and getting more and more complicated. Over the past decade, a growing number of companies have recognized the business benefits of CSR policies and practices. Their experiences are bolster by a growing body of empirical studies which demonstrate that CSR has a positive impact on business economic performance and is not harmful to shareholder value\(^7\). A study in Australia found that the social role of business was a contributory factor to overall health and growth. Indeed, 75 percent of organizations taking part in the study held the view that their CSR involvement was a way to build and maintain trust, support and legitimacy with employees and the community\(^8\).

\(^6\) [www.textilesindia.com](http://www.textilesindia.com) and Website of Ministry of Textiles in India  
In India, business houses and manufacturing firms have started realizing the importance and usefulness of their social responsibility for the long term viability and sustenance of their survival and growth. It is quite typical to explore the financial benefits of CSR towards organizations and broader scenario of business. The way CSR affects business practices and activities in economic, environmental and social decisions of firms, is again a question of assessment.

The factors which motivate organization to be socially more responsive and be broadly categorized under two categories - internal and external. While internal factors basically emanate from the growth and profit motivation e.g. pressure from supply chain, stakeholder’s awareness etc, external factors belong to legal and mandatory regulations of the government, ethical and social dimensions of the firm looking for long term sustainability practices. Both external and internal factors function as effective drivers of change for the firm to adopt CSR practices.

An initiative of Corporate Social Responsibility activities in Textile industries are focused on environment protection, employees welfare, society development activities and company development. It is based on equally considering the economic, social and environmental dimensions. The textile industry in general usually
assumes that responsible sourcing methods will result in high cost, particularly for labour, consumers, suppliers and top level management through environment protection and society development. The present study attempts to analyze the development of textile industry based on CSR practices in selected districts of Tamil Nadu state.

1.2. OBJECTIVES OF THE STUDY

The specific objectives of the study are:

i. To examine the Corporate Social Responsibility practices of the textile sector in Tamilnadu;

ii. To analyze the awareness of the entrepreneurs about Corporate Social Responsibility in Textile sector of Tamilnadu;

iii. To study the factors influencing the entrepreneurs of Textile Industry in implementing the Corporate Social Responsibility activities;

iv. To identify the problems faced by the entrepreneurs in implementing the Corporate Social Responsibility practices;

and

v. To suggest remedial measures for better implementation of CSR activities in textile industries.
1.3. HYPOTHESIS

i. There is no significant difference among the textile entrepreneurs category “A” on awareness about code of conduct.

ii. There is no significant difference among the textiles entrepreneur category “A” on awareness about CSR activities.

iii. There is no significant difference among the textiles entrepreneur category “A” on the awareness about stakeholder importance in CSR programme.

iv. There is no significant difference among textiles entrepreneur category “A” on the Impact of CSR Programme Implementation.

v. There is significant difference among the category “B” textiles entrepreneurs on the awareness level of code of conduct

vi. There is no significant difference among the textiles entrepreneur category “B” about CSR Programmes.
1.4. OPERATIONAL CONCEPTS

A few concepts used in the study are operationalized below;

**Corporate Social Responsibility**

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society a large\(^9\).

**Exporters**

Generally, the firms, which export their products to different countries or marketing their products around the world is called “Exporters”. In textile industry, the textile exporters have passed the textile goods and marketing their products globally. The textile industries including home textiles, spinning mills goods and garment sectors are manufactured their goods/products and export it global level.

**Domestic Manufacture**

The company which markets export their products within the country is called “Domestic Manufactures”. Domestic manufactures are marketed their products within the country. They distributed the

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\(^9\) World Business Council for Sustainable Development (WBCSD) 1999 Corporate Social Responsibility (CSR) (www.wbcsd.org)
textile goods to the different parts of the country. They are also called “National - level wholesale Company/firm”. They concentrate national level business.

**Sub Contractors**

The contractors are functioning / working under the main contractors/exporters in particular sector. They are called as “sub contractors” and the sub contractors are entered in the industry through the primary contractors.

**Ancillary Unit**

The unit which is involved in ancillary work for supporting the main product of the industry is called “ancillary unit”. In textile industry, the function of ancillary unit is the finishing work, linking work and button fitting work under the main/sub contractors of textiles industries.

**Home Textile Industry**

Home textiles is considered as a home needs clothing used for interior decoration, remaking of homes and furnishing of homes. There are four major product groups of home textiles such as Bed linen, Towels, Table linen and curtains.

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10 www.wikipedia.com
11 www.hometextileswikipedia.com
Spinning Sector

Spinning in conversion of fibers into yam. These fibers can be natural fibers (cotton) or manmade fibers (polyester). Spinning also entails production of manmade filament yam. (Yam that is not made from fibers). Final product of spinning is yam.

Cotton value chain starts from ginning that adds value to it by separating cotton from seed and impurities. However, spinning can be called as the first process in the chain that adds value to cotton by converting into a new product i.e. conversion of ginned cotton into cotton yam. Spinning is the foundation process and the entire subsequent value additions i.e. weaving, knitting, processing, garments and made ups, depend upon it. Any variation in quality of spinning product directly effects the entire value chain\(^\text{12}\).

Garments and Knitting Sector

Knit is the needlework created by interlacing yam in a series of connected loops using straight eyeless needless or by machine. Knitting is a craft by which thread or yam may be turned into cloth. Similar to crochet, knitting consists of loops called stitches pulled through each other. Knitting differs from crochet in that multiple stitches are “active”, or in use, at the same time.

\(^{12}\) www.spinningsectorwikipedia.com
A method of constructing fabric by inter-locking a series of loops of one or more years. A series of interconnecting loops of yam formed by independent needless of a circularly rotating machine. (The fineness of the knit affects shrinkage, strength and cluster of the finished garment.)

The making of fabric or garment out of yarn using two or more pointed needless to form interlocking loops based on two stitches, the knit and purl stitch. Knitting needles are sized by number\textsuperscript{13}.

Stakeholder

A person group or organization that has direct or indirect stake in an organization because it can affect or be affected by the organization’s actions, objectives, and policies key stakeholders in a business organization include creditors, customers, directors, employees, government (and its agencies) owners (Share holders), suppliers, unions and the community from which the business draws its resources\textsuperscript{14}.

1.5. METHODOLOGY - DESIGN OF THE STUDY

In this section, sources of data, sampling frame, tools and method of data collection and data analysis are presented.

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{13} [www.about.com](http://www.about.com).
\item \textsuperscript{14} [www.stakeholdermanagementwikipedia.com](http://www.stakeholdermanagementwikipedia.com).
\end{itemize}
\end{footnotesize}
The present study is based on primary as well as secondary data. The secondary data on textile industry were collected for a period of 10 years (2001 - 2011) from the Reports of the Ministry of Textiles and Ministry of Industry and Commerce, New Delhi and from the records of Textiles Associations and District Collectorate office at selected districts.

The data related to Corporate Social Responsibility (CSR) policies and amendments were collected from Ministry of Corporate Affairs, New Delhi and programme level data were collected for the period of 4 years (2006-10) from Annual Report of the Karmayog NGO (CSR rating organization) in Mumbai. The Karmayog NGO rating criteria is based on 17 major industries among top 500 companies in India and Tamil Nadu. The data related to CSR Awards were collected for the period of 9 years (2003-2011) from the Golden Peacock Global Awards for CSR, Secretariat, a London based organization with a significant presence in India through its Delhi Office, New Delhi. Primary data were collected from the textile entrepreneurs of selected textile industries in Tamilnadu.

The textile industries in the selected districts were found to be the predominant industries which provide lucrative employment opportunities and serve as basis for livelihood of the people around the
locality. Though textile industries in the study area have been practicing CSR in terms of creating awareness among entrepreneurs, employees’ welfare, environment protection and education to children and societal development activities such as electronic funeral and infrastructure, there are certain factors that influence the implementation of CSR practices. Further the entrepreneurs of selected textile industries face several problems like no clear cut parameters, corruption in implementation, low business turnover results less budget allocation, tax burden and lack of coordination from textile association and local administration and low level of community participation which hinders implementation of CSR activities.

As far as sampling frame is concerned, multistage sampling procedure was adopted. Out of 32 districts in Tamil Nadu, three districts were selected based on the concentration of the population and business performance of Textile Industries, in terms of the Annual turnover, Annual network and Annual Profit. As such Karur, Coimbatore and Tirupur Districts were identified and selected as the study area. From each district, CSR norms applicable Companies
having annual turnover of Rs.1000 crores, or Annual net worth of Rs. 500 crores, or Annual Profit of Rs. 5 crores were randomly selected.

As per the CSR standard procedures and the textiles association of the concern districts, 120 entrepreneurs were selected from the study area. The textile entrepreneurs as respondents were categorized into two categories namely ‘A’ represents exporters and ‘B’ represents domestic manufacturers, subcontractors and entrepreneurs of ancillary units. From each district, 10 Exporters as category A, 10 Domestic manufacturers, 10 Sub-Contractors and 10 entrepreneurs from Ancillary units as ‘B’ category accounted to 120 respondents were selected randomly.

Primary data regarding socio economic profile, CSR practices and awareness about CSR, factors influencing CSR and problems faced by entrepreneurs in implementing CSR programmes were collected from the entrepreneurs by administering structured interview schedule.
Both the primary and secondary data collected were meaningfully analyzed by using appropriate statistical tools such as simple percentages, ANOVA single factor and multiple linear regression analysis.

i) Analysis of Variance (One way classification)

The information relating to various parameters on the awareness of various related corporate social responsibility programmes in the order of importance was assigned score in Awareness level as High, medium and low. The score given for the respective awareness to various CSR related activities by the selected textiles industries and the entrepreneurs (Category A, B) were summed up to arrive at the rating priority index. To analyse the variables associated with the extent of rating priority on various CSR programmes, the following ANOVA one-way classification model was fitted.

ii) Multiple Linear Regression Analysis

Information relating to various parameters on the factors influencing in implementing CSR programmes in the order of importance was assigned score in factors influencing level as High, Medium and low. The score given for the respective factors by the respondents were summed up to arrive at the factor Index.
To analyze factors influencing CSR implementation, multiple linear regression analysis was used. The multiple linear regression model with non-random and unobservable (dummy) variable was used to know the influence of factors on the dependent variables.

1.6. SCOPE OF THE STUDY

The Corporate Social Responsibility (CSR) programme initiatives as per government policy in textiles export industries focus on environmental protection, employee’s welfare activities, business and society development activities. On the other side, it also focuses on knowledge and awareness creation about the CSR programme in textile domestic and allied industries. As to the present study, it analyses the awareness about CSR programme among the textile entrepreneurs. Further study is also intended to analyze the factors influencing implementation of the CSR programme and the problems faced by the textile entrepreneurs in implementing CSR programme. The present study was conducted in three selected districts namely Karur, Coimbatore and Tirupur where textile industries were found to be more in number and provides significant employment opportunities to the people around the area.
1.7. LIMITATIONS OF THE STUDY

The study was designed to analyze the performance of CSR practices of textiles and other industries in selected districts of Tamilnadu. The secondary data were collected from KARMAYOG NGO’S CSR Rating report of Mumbai and as data was hardly available from the government source. While analyzing the CSR practices of textile sector, the exporters could be expressed at maximum level for business ethics, code of conduct, employees’ welfare activities and minimum social development activities. Moreover, this study is confined only to Karur, Coimbatore and Tirupur districts of Tamil Nadu alone due to availability of time and material resources.

1.8. CHAPTERISATION

The first chapter deals with the introduction consisting of statement of the problem, objectives and methodology. The second chapter presents the review of literature. The third chapter presents the profile of the study area. The fourth chapter analyses the performance of CSR programme and textile industries. The CSR practices of selected textile industries in Tamilnadu are analyzed in the fifth chapter. The sixth chapter summarizes the major findings, conclusion and suggestions.