FINDINGS, SUGGESTIONS AND CONCLUSION
CHAPTER 7

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INTRODUCTION

In recent decades the concept of Corporate Social Responsibility (CSR) turned out to be a vital strategy for companies to survive in a market environment. In a condition where market’s shift and customers’ preferences becomes more unpredictable and complex, adopting CSR strategy could be a powerful tool for survival. Companies need to integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Many companies all over the world are now realising the benefit of practicing CSR in their bottom lines.

Changes in international sourcing environmental are posing many changes for the Indian suppliers. These challenges are mainly concerned with such issues. First of all competing sourcing destination are now being assessed in the light of new developments related to enhanced concern for workers and workplace.

Globalisation however forces many companies including SMEs to adopt CSR in order to remain competitive locally in the international net.
CSR has come a long way to India. From responsive activities to sustainable initiatives; SMEs have clearly exhibited their ability to make a significant difference in the society to improve the overall quality of life of labourers.

7.1 BACKGROUND

Social responsibility is acquiring prime importance among large and small alike. It has mostly been researched at the large firm level (del Brio and Tanquera 2003). In India, the SMEs play a pivotal role in the overall industrial economy of the country. It is estimated for about 39% of the manufacturing output and around 33% of the total export of the country. Although the contribution of SMEs in India is quite appreciable, there is a lack of research conducted on the extent and motives of SMEs and the relationship between the two.

Though companies comply with CSR due to philanthropic motive and strengthened by buyer’s pressure they are sometimes skeptical about what CSR can usually deliver. The scope of the research work is to understand the link between investment decisions and CSR activities.

7.2 RESEARCH METHODOLOGY AND DATA COLLECTIONS

The survey was conducted through a self administered questionnaire, sent to the respondents via post, courier, personnel and through emails. Anonymity was both assured and communicated to the respondent who
preferred to be so. Approach chosen increased the frankness and honest answers and thereby increased the quality of the study. The data was also collected based on interviewing with the targeted people. Face-to-face interviews were carried out by meeting with executives, decision makers, managers or higher managerial-level persons. All questionnaires were handed over to the targeted group of 107 and information was gathered with a lot of strained effort that took a period of 5 months to elicit valid responses. A couple of companies denied access stating the information asked were sensitive and refused stating they had no time, while some choose not to attend the complete questionnaire which had to be rejected as incomplete. After editing for removal of incomplete and unsuitable responses, a total of 76 responses for social and economic impact analysis was possible to be elicited, while about 94 responses for Management perception analysis.

The data collected was tabulated and analysed the Statistical Package for Social Science/ for Window (SPSS/FW) program. As the sample size was low the Factor Analysis, multivariate tool was used to reduce the number of variables involved in the study into prominent factor and to assess their importance to impact of CSR compliance on RMG companies manufacturing woven garments in Chennai.
7.3 FINDINGS OF THE STUDY

The study of the objectives set for the research work brought out findings which has been discussed and summarized in sections as follows.

7.3.1 Social Compliance

Social compliance has 8 variables culminating into three factors using factor analysis. The first factors gain stakeholders’ goodwill is achieved by the companies now having the liberty to pursue social responsibility issues further without any hesitation, the relationship with stakeholders have made it more flexible in catering to the demands and implementation of policy. Communication among employees is more sound and committed which helps in crisis management. The second factor attrition level reduction of Social Compliance helps to decrease the turnover of employees and to retain them. The third factor is the philanthropic motive of the company.

7.3.2 Change In Organisational Functioning

Socially sensitive reorganising of the company’s structure can mitigate the negative economic and social impact of rapid and major structural change and ease the transitions to new opportunities of reducing the changes of increased resistance to change, low commitment and erosion of trust on management in future.
7.3.2 The Role of Government in Post MFA Environment

The government can play a vital role in sustaining the competition by focussing on economic reforms required including improved transport facilities and enhanced operational efficiency for quicker delivery, tax incentives, reduction and non labour costs like electricity and water, improved custom procedures, measures to compact corruption and realistic foreign exchange policies, easy access to credit and creating environment conducive to productivity.

From (Felix Ockborn 2006) a secondary data resource, it also remarked that companies in Tamilnadu have a positive view on the government’s ability to provide infrastructure and fair policies, including transport and land for future expansions.

7.3.4 Workforce Issues

The study and on site observation made has brought to light, the fact that most workers prefer to work on contractual basis, rather than on regular basis as they would be able to earn more on piece rate basis. With over time and with the piece rate being followed, the workers can turn up late or take a day off as they wish, resulting in frequent absenteeism, thereby leading to delay in production and subsequently delay in delivery date and time. Invariably the company loses the good reputation with the buyers. It was found in the study made, workers get more values - flexibility, autonomy and freedom. Workers prefer different labour policies, regimes and employment
contracts depending on their gender, lifestyle and most recently striking factor that has arose in Tamil nadu – migratory status.

Findings report that SME companies have the workforce issues when complying with CSR as they have low awareness and that there a big crunch in trustful and skilled workforce. There is difficulty in retaining highly competent skilled personal or luring them to work. With CSR investment, the workforce has volunteered to allot their time to participate in CSR activities after knowing the benefits of CSR. There is better treatment given to qualified prospective employees.

7.3.5 CSR Investment on Environment

CSR has led to minimising the environmental impact of its operation at all stages. Such effort can only re-enforce its image and reputation as a green corporation. By being environmentally responsible, the companies are bound to build trust and reputation, thereby becoming more competitive obviously contributing to the company’s sustainable development.

Looking after environmental welfare in a more responsible manner has an impact on profit sensitive areas, such as reducing absenteeism, increasing work productivity and preventing work related injuries and accidents.

The impact can also prevent the risk of non compliance of new environmental laws and regulations and increased insurance premier.
7.3.6  Management Perception

Management perception of CSR activities have raised significantly in importance as noted from the findings of the study. As India is increasing exposed to global standards, it is anticipated that CSR growth will continue. While the phenomenon of philanthropic motive is emphasised invariably to enhance the visibility of CS, practices in companies, the bottom line motive as perceived by management stems from the sense of their moral obligation to give back to society.

Shrinking lead times in apparel companies has drastically changed the situation and the fast fashion concept has created a lot of pressure leading to worsening of labour conditions. Companies stand to gain from positive externalities like getting more workforces, after adopting social compliance practices in terms of making workforce happier, healthier and to bring in better performance. Management perceives that company’s engagement in CSR could bring economic benefits as well.

In the survey conducted, positive perception of management acts as a driving force to practice CSR. Management perceives that there is a link between CSR and organisations functioning and that CSR practices are integrated in business activities and improves it’s functioning with better CSR legislations and has a positive impact on the employees who are now happier, with a feeling that their welfare is provided fairly, resulting in better performance of the employees. As Apparel companies are labour extensive, workforce is given an edge over all other stakeholders’ welfare and wellbeing resulting in better economic prosperity and business growth is enhanced.
7.4 SUGGESTIONS

- The government of Tamilnadu could minimise the welfare schemes, so that local labourer is fully available for Apparel companies.

- The criteria used to measure workplace practices include employee involvement, fair and reasonable rewards, a positive commitment to diversity and work life balance, occupational health and safety arrangement. These criteria indicate that an organization that is seen as socially responsible creates a culture that is perceived as open, fair and attractive to potential and existing employees.

- CSR initiatives do have a positive impact on employee morale, motivation, commitment, loyalty, training, recruitment and turnover. Benefits in these areas have found to improve the bottom line of companies.

- CSR initiatives can contribute to the branding of organization in the labour market. These initiatives can make the organization attractive to employees with similar values and so can assist the organization to become an employer of choice for these potential employees in spite of lures offered by the attractive freebies offered by the Tamilnadu Government. With consistent social contribution and by living up to the values set of the companies
and initiatives with zeal and enthusiasm can inevitably result in growth of the organisation.

- The companies need to operate with an aim to address the socio-economic development challenges like health, alleviation of below poverty line community, infrastructure development and education.

- Certain pressing issues of developing countries like in India and in Tamilnadu in particular, are not included in the CSR initiatives, invariably due to reasons that such CSR initiatives were in fact conceived by the developed countries whose priorities were just customer protection, fair trade, green marketing, climate changes concerns the not the actual problems of developing countries of India. This lacuna in the initiatives should be addressed.

- As such the CSR initiative should be on locally developed CSR approaches which responds to many genuine social and environmental problems in that area.

- It is found from the study that there is a lack of partnership between all stakeholders including the private sector, employees, local communities, the government and society in general which is not effective or not effectively operational even in the CSR domain. This scenario often creates barriers in implementing CSR initiatives. It is recommended that appropriate steps be undertaken to address the issues of building effective bridges
among all important stakeholders for the successfully implementation of CSR initiatives.

- It is found in the study that most companies are directly involved in various CSR initiatives involved in various CSR initiatives. These companies continue to decide their own projects depending on their driven priority and ease of implementation of their CSR activities. An Accreditation mechanism can be initiated for mainstreaming and institutionizing CSR in the main business framework of the companies.

- There is a need for an endeavour by companies to improve conditions of labour by implementing environmentally friendly practices. The greater competition and weeding out of inefficient industries may lead to the impact on marginalized groups, especially women who are largely concentrated at lowest end of the job market. It is in this context that social responsibility and expectation falls on industry to cushion such hardships by contributing to the larger development agenda in Chennai, Tamilnadu.

- All manufacturers are expressing a growing concern that buyers are demanding adherence to standards but are unwilling to pay the commensurate prices. The danger is that any attempt by manufacturers to implement codes could lead to cost rise and orders moving to cheaper competitors. Buyers could motivate for
effective implementation of their codes through a win–win negotiations that would help to imbibe a long term profitable business for each other.

- During the field visits made, it was found that workers often have little knowledge of the conduct of codes. The manufacturers have to own the onus of keeping the workers regularly and well informed of the codes.

- Freedom of Association is relevant in the codes of conduct, their involvement at the heart of the process is critical but minimum. Only effective independent representative trade union movement is likely to defend the interest of the workers. A vigorous trade union movement acts as a channel for workers grievance and can improve industrial relations.

- It is recommended that CSR as a subject or disciple should be made compulsory in colleges and universities to sensitize students about the importance of social compliance and the role of CSR in helping manufacturing companies strike a judicious balance between their business and societal concerns. Such an approach will encourage and motivate young budding graduates to prepare them to reorient themselves to find more innovative solutions for the business and society concerns.

- It is recommended that companies in zone can actively pool their resources and build a synergy to implement CSR projects and
innovate new ones to address the environmental concerns and reach out to more beneficiaries. This will increase the impact of their initiatives on the lives of the common people. It is further recommended that scaling up and sustainability of CSR projects needs to be safeguarded at all costs for their efficiency and efficacy.

- Government should consider rewarding and recognising companies that employ physically challenged with varying degrees of disability. Incentives can be offered to these companies to strengthen their good work which can include grant of 12A, 80G and other fiscal incentives including tax breaks for the social and development projects. This will be instrumental in motivating and encouraging more companies to overcome their apprehension of the work, they can get from the physically challenged persons.

- Compliance with an increasing number of CSR codes of conduct can be technically difficult and expensive to achieve in particular, the codes that go beyond legal requirements. Government is requested to help companies to adapt to these requirements and avoid loss to export markets.

- The role and efforts of the companies in taking CSR activities can be strengthened and pushed forward only
when the engagement among all the three important stakeholders – the government, employees and environment are jointly explored and addressed.

- All companies surveyed have reported that they are voluntarily practicing only their own codes of conduct and are genuinely committed. However even where there is genuine commitment, at times principles are given a back seat by the more powerful commercial activities. International initiatives and their code of conducts can thereby play a role in ensuring that companies respect labour and environmental rights.

- Vouching the perception of Management that in the present scenario, the migrants who drive the growth engine of the state need to be looked after better. They have to be provided with all the measures as are available to local workers. The government could allot housing sites to them on priority basis. In other words government should encourage these immigrants to settle in Tamilnadu permanently to help companies expand their business growth.

- CSR is HR driven unless proven otherwise. While the companies’ involvement with social compliance is good, the same companies will be able to benefit more from these initiatives, if they actually
commit themselves to the cause. Hence CSR must be driven by
top management and not be left to the HR professional alone.

❖ There is a need for creation of awareness about CSR among the
general public of the benefits of CSR initiatives that companies
are practicing. This awareness generation can be taken up by
various stakeholders including the media to highlight the good
work done by companies. This will bring effective changes in
approach and attitude of workers, investors, financial
organisations and legal entities towards CSR compliance.

❖ This effort will also motivate other companies to join the league
and play an effective role in addressing issues of environment,
community well being and provision of employment
opportunities in Tamilnadu.

❖ Manufacturers become preoccupied with meeting the different
requirements of each buyer and find it difficult to determine their
true priorities. Buyers demand adherence to CSR policies but at
the same time demand delivery on lower prices and shorter lead
times. Subscribing to both can be possible if buyers can relay
their requirement with more clearness and with appreciable
incentives.
7.5 **SCOPE FOR FURTHER STUDIES**

- Study of impact of CSR compliance on the social and economic performance of RMG companies in Tamilnadu can be extended to other states of India.

- Study of impact of CSR compliance can be done in comparison with that of the other states of India.

- Study of impact of CSR compliance can be done within cities of Tamilnadu.

- Study of impact of CSR compliance can take into consideration variables like risk, R&D intensity, Buyer types and currencies.

- The study can be extended to knitted ready made garments and leather garments.

- Scope for further studies can deal with environmental issues of knitted and leather companies, where dyeing process and tanneries create a lot of environmental pollutions.

- Study can be extended to impact of CSR compliance on RMG companies from the buyers’ point of view.
CONCLUSION

The study is an attempt to address the persistent question as to whether CSR has any impact on the socio-economic performance of the manufacturing companies. The findings revealed no significant impact of CSR on the profitability.

Since investors have to take the investment decisions, the negative association of CSR investment on the economic performance may act quite detrimental to the proactive approach of the companies with regard to the future investment on CSR.

Notwithstanding this association, the console got from the findings of the study done on CSR investment on social compliance indicates that such CSR investment towards social compliance has a positive impact on workers.

The findings appear to provide counter evidence that the one sided view of CSR that emphasis profit making to be a win–win situation and reflects the actual impact of CSR compliance on economic performance due to the mediating inventions an extraneous factor. The concept of ‘one size fit for all’ approaches towards the contextualised understanding of what CSR can and does mean for the workforce does not seemed to apply in the present situation of Tamilnadu.

The garment companies in Tamilnadu is currently going through significant changes in its organisation of production, its size an scale, its
labour practices and so on since the past five to six years. It is difficult to attribute these changes to any one factor. A host of factors are currently impacting the sector.

All respondents have vouched the fact that labour shortage in Tamilnadu is more when compared to other states inspite of economy of Tamilnadu having not expanded.

This shortage of worker available for apparel companies acts detrimental to the growth and prosperity of the companies as it quite evident that all apparel companies are labour intensive. The quantity and quality of skilled workers is shrinking with time – something that needs to be immediately addressed.

The want of labourer is so high in Tamilnadu that most of the Manufacturing units are moving to suburbs, opening units in the competitor areas of Bangladesh, Sri Lanka and is envisaging to start their units even in South Africa where there is abundance of labourers- the pillar of the business growth in Apparel industries.

Nevertheless, though a couple of extraneous factors do have a negative correlation with economic performance, the existence of the factors is time bound and not a constant and the effect of such factors may be subdued and fade away with time. Moreover the current pace of reform and dynamism in the Apparel industry might bring out a varied result with data collected after a certain period of time. Therefore the companies are
recommended to continue to give adequate concern to social responsibility and invest in the social improvement with confidence which is bound to reap the fruit of earning the trust and goodwill of the stakeholders, making them feel more secure and happier, resulting in better productivity and will be committed to the company. Social compliance issues should be handled with more dexterity both by the policy makers and executives.