

CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN THE APPAREL INDUSTRY

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CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN THE APPAREL INDUSTRY

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ABSTRACT: *In recent times Corporate Social Responsibility (CSR) has gained prime importance in the business sector, both the government and the corporate sector have realised the importance of CSR for sustainability of the business and for the development of the country. The present study analysed the CSR activities of the apparel manufacturers in India and Malaysia. Secondly the CSR actions of these apparel companies were categorized based on the relationship of their CSR activity to the core business, target of these CSR activities and the expected benefits of these CSR activities. The three categories were Philanthropy, CR integration and CR innovation. The study used the qualitative method using the content analysis approach. A total of 190 Worldwide Responsible Accredited Production (WRAP) certified apparel companies in India and Malaysia were taken for the study. The findings show that only 50% of the companies have information about CSR in their company websites. However Indian apparel companies gave more importance to CSR as compared to the Malaysian apparel companies. The findings of the study will help in understanding the status of CSR in one of the major labour incentive industry like apparel industry. However majority of the apparel companies in both the countries were under the CR integration category. The findings of this study will help the company management and the government in making their strategic decisions about CSR.*

Keywords: qualitative study, Apparel Industry, CSR, Malaysia, India

1. INTRODUCTION

The concept of CSR is universally accepted and promoted by all the constituents of society such as the governments, corporations, consumers and nongovernmental organizations. The international organizations like The United Nations (UN), World Bank, the Organization for Economic Co-operation and Development (OECD), International Labor Organization (ILO) have fully supported and aggressively established guidelines to continue the movement [1]. CSR was regarded as largely a domestic business issue in leading countries of origin. In the recent years the popularity of CSR has spread onto the world scene. We now see CSR initiatives in virtually all the developed nations and its developing in emerging nations like India, Malaysia and Pakistan [2]. Globalization has enhanced the adoption of CSR in Asian countries as well [3].

Most of the studies on CSR have focused on developed countries and there is a growing need to understand the CSR perceptible in the developing and the emerging countries. India as nation has been effected by the crisis in the three main CSR areas i.e. social, political and economical. The companies have become aware about the importance of society for the sustainability of the business [4]. The present study attempts to compare the CSR actions among the apparel manufacturing Industry in India and Malaysia.

The Indian government's Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Similarly Malaysia is the only country which has set a timeline to achieve the developed nation status by the year 2020. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR has changed in these two countries. India presents a classic example for

economic disparity. According to the statistics from an international body IMF(International Monetary Fund) , the net worth of India's billionaire community has soared 12-fold in 15 years - enough to eliminate absolute poverty twice over in the country, where income inequality is also on the rise. In 2010, that divide had grown, whereby India's top 10% now control nearly 30% of India's assets, but the lower 40% are down to owning 21%. India's billionaire class has grown from 6 to 61 in the last decade, and now control over \$250 billion. In a country which has the highest concentration of people living below poverty-line, according to Forbes, India has 55 billionaires and the number is expected to rise to 220 in next decade (in addition to 125,000 millionaires). This clearly indicates the failure of the trickle-down effect in India [5]. India has put in place some important initiatives in the last several years to address economic inequality. The recently implemented CSR rules will put resources in the form of money and opportunity in the hands of the poor. Hence this research will help in understanding the changes in the CSR practices of the company after the implementation of these CSR rules. The findings will help the companies in India, Malaysia and other developing country to frame their CSR related strategy. In India, companies have no shortage of CSR opportunities as the needs in India are immense. India's economy is the third largest by purchasing power parity (PPP) and eleventh largest by nominal gross domestic product (GDP), globally. Due to its rapid growth, especially over the last decade, India is considered an industrialized nation. Corporate Social Responsibility plays a vital role in India as it has many long-term challenges that it has yet to fully address, including poverty, corruption, violence and discrimination against women and girls, an inefficient power generation and distribution system. It also helps in tackling ineffective enforcement of intellectual property rights,

decades-long civil litigation dockets, inadequate transport and agricultural infrastructure, limited non-agricultural employment opportunities, inadequate availability of quality basic and higher education, and accommodating rural-to-urban migration.

The Malaysian government has identified strong corporate governance, transparency and responsible business practices as a means of differentiating the business investment climate in Malaysia. They want to use this to position themselves as a leader in the region. The government actively supports CSR and this is reflected in policy and regulation, tax incentives, reporting and voluntary standards, as well as their endorsement of CSR through awards. The Government of Malaysia has contributed to a positive CSR environment, which has made an impact under the Ninth and Tenth Malaysia Plan. The Vision 2020 sets the foundation for Malaysia to become a developed nation by the year 2020 by creating a united country that has a caring and economically just society. The Government-linked Investment Companies (GLICs) and Government-Linked Companies (GLCs) are leading the way by following the Silver Book guidelines on contributions to society. The Tenth Malaysia Plan (2011 – 2015) recognizes the importance of public and private partnership (PPP) and how it can contribute to the achievement of development goals. It urges GLCs to integrate and implement CSR policies. The Companies Commission of Malaysia (SSM) has set initiatives that will raise the visibility of CSR for a large number of businesses, especially small and medium enterprises (SMEs), through developing reporting requirements and capacity building [6]. Malaysia has demonstrated an increasing awareness of CSR in recent years, where more of non-governmental organizations and professional accounting bodies such as the Federation of Malaysia Consumer Association, Consumer Association of Penang and World Wide Fund for Nature (WWF) Malaysia, Business Ethics Malaysia and Association of Certified Chartered Accountant (ACCA) are actively involved in promoting CSR awareness and initiatives among public companies. The Malaysian Security Commission views CSR as part of corporate governance where CSR will strengthen the framework on good corporate governance. Companies are expected to practice good governance and be accountable for the ways they conduct their businesses. This view is based on the wider interests of other stakeholders such as employees, consumers and the society at large towards companies' activities [7]. India and Malaysia are two countries in the Asian region which have realised the benefits of CSR and consider it to be one of the key strategies for the development of the country. This is emphasised by the recent introduction of CSR related law in these two countries. In the economic point of view India and Malaysia are two of the fastest growing economies in Asia. The countries are known for their diverse culture. A comparative study on the CSR practices in these two countries would be useful in building the strategy for successful and efficient implementation of the CSR in other developing countries.

LITERATURE REVIEW

India is the one of the world's largest producers of textiles and garments. Abundant availability of raw materials such as cotton, wool, silk and jute as well as skilled workforce have made the country a sourcing hub. It is the world's second largest producer of textiles and garments. The Indian textiles industry accounts for about 24 per cent of the world's spindle capacity and 8 per cent of global rotor capacity. The potential size of the Indian textiles and apparel industry is expected to reach US\$ 223 billion by 2021, according to a report by Technopak Advisors. The textiles industry has made a major contribution to the national economy in terms of direct and indirect employment generation and net foreign exchange earnings. The sector contributes about 14 per cent to industrial production, 4 per cent to the gross domestic product (GDP), and 27 per cent to the country's foreign exchange inflows. It provides direct employment to over 45 million people. The textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the India's economy. India's textile & apparel (T&A) industry (domestic and exports) is expected to grow from Rs.3.27 lakh crore (\$70 billion) to Rs.10.32 lakh crore (\$220 billion) by 2020, according to a research report by Technopak Advisors, a leading management consultancy. The report says that the domestic T&A market size in 2009 was Rs.2.18 lakh crore (\$4 billion) and is expected to grow at a compounded annual growth rate (CAGR) of 11 per cent to Rs.6.56 lakh crore (\$140 billion) by 2020. The domestic apparel retail market was worth Rs.1.54 lakh crore (\$33 billion) in 2009 and will touch Rs.4.70 lakh crore by 2020 (Apparel-india.com, 2014). Even though, at present, the menswear has a majority share in the apparel market (43 per cent) and is growing at 9 per cent, women's wear is growing at a higher rate of 12 per cent and is expected to reach 43 per cent share in 2020 from the current 37 per cent of the market. Apart from this, kids' wear is growing rapidly with higher growth in girl's wear (11 per cent) than boys wear (10 per cent). The report said that the home textile market is expected to grow 9 per cent CAGR from Rs.15,570 crore in 2009 to Rs.40,000 crore by 2020 (Correspondent, 2010). The global textile and apparel trade is recovering after the recession of 2008-09, and is expected to reach \$1 trillion by 2020 from \$510 billion now. The growth in trade is driven by increased outsourcing of western / developed countries towards lower cost countries in Asia (Correspondent, 2010). The report said that India has the potential to increase its export share in world trade from the current 4.5 per cent to 8 per cent to reach \$80 billion by 2020. The high growth of Indian exports is possible due to increased sourcing shift from developed countries to Asia and India's strengths as a suitable alternative to China for global buyers. Investments to the tune of Rs.3.20 lakh crore (\$68 billion) across the textile supply chain will be required by 2020 to tap the potential market created due to the growth of the industry and the investment required in the garment sector by 2020 is \$14 billion and for processing \$19 billion (Correspondent, 2010).

Researchers have tried to study the CSR practices in textile industry. One such study emphasises the perspective view of supplier selection, considering CSR issues as opposed to traditional methods using conventional selection criteria such as cost, quality, delivery and service. It employs six CSR criteria such as discrimination, abuse of human rights, child labour, long working hours, unfair competition and pollution to assess small- and medium-sized suppliers who produce and deliver products to the automotive and textile industry sectors. The results of this study indicate that to prevent discrimination against pay variation, minimise cases of abuse of human rights and incidence of child labour, suppliers must put in place proper policies and procedures regarding employment contract, identification and verification records. Furthermore, to reduce unfair competition, suppliers of both automotive and textile sectors may introduce processes for investigating reports of unethical conducts and take severe disciplinary action. The suppliers of both automotive and textile sectors believe that the competitive advantage can be achieved through environmental oriented business practices. However, they differ in their approaches in attaining this objective [8]. In another study titled Global Actors, Local Governance: Corporate Social Responsibility in the Indian Garment Industry. Researcher tried to get a better understanding of the effects of CSR on work, so he considered a wide range of actors involved in the constitution of codes and standards, and the conflicting interests that drives these actors. Social-economic implications differ on what workers value in their work and CSR intervention. Company codes of conduct and international certificates have proven to be relatively successful in improving work conditions that are rather technical, such as health and safety restrictions. However, CSR management fails to incorporate rights that are more socially and politically embedded - such as freedom of association and collective bargaining. Although health and safety may be guaranteed, firm's demands are conflicting. On the one hand they want their suppliers to comply with high quality and work standards (such as 8-hour shifts), while at the other hand they demand supplier to keep prices low and work through 'just in time' management. Wages are still far below the 'living wage', while workers are suppressed by both supplier company management and state legislation to stand up for their rights. A majority of workers experience firm intervention as a form of governance, and they feel restricted their freedom, autonomy and dignity. They actively seek non-compliant firms where they are able to work longer shifts and earn more. Overall, if CSR wants to live up to its name - in order to improve the social and economic situation for their workers and their environment, instead of creating a more profitable business model - the demands of workers should be taken into full consideration. Therefore, more structural power imbalances and the dominant neoliberal order have to be contested. A study was conducted by Susan Young in 2012 which examined the audit reports from 669 apparel firms which was spread across 38 countries which included both developed and developing countries. The main objective of the study was to test the effect of institutional

and firm level attributes on firms CSR behaviour. The study used three empirical studies, the first study examined the formal institutional environment on the production costs and in turn the returns for their CSR activity. The second study on how the firm's cultural norms and societal expectation affected the legitimacy of the firms CSR behaviour. The third study examined the affect of the firm level attributes on the CSR responsiveness. The results of this study findings concluded that it is important to take into account the individual firms environment and attributes before framing its CSR strategy[9].The apparel industry plays a crucial role not only in India's economic development but also globally as it is one of the major industry which generates employment and revenue, especially in the developing countries. Therefore it is very important to understand what the front line operational level employees' in this industry think about CSR. Moreover, in the recent past there have been few cases of negative CSR in this industry. Thus, this research makes a significant contribution to the literature, as it is one of the first to consider the topic from the perspective of front line operational level employees' in the apparel industry.

More Companies are recognising the potential risk and opportunities that CSR brings and they are realising the importance of communicating their CSR initiatives to different stakeholders. The research findings have shown that companies underestimate the internal communication; however the employees are a powerful channel for enhancing the company's reputation in CSR. It is important for the companies to design a strategy for CSR communication which evaluates both the potential risk and opportunity before it is effectively communicated to the key stakeholders[10]. As CSR activities affect the consequences that have a positive impact on corporate reputation, findings show that CSR enables firms to improve reputation with a broad range of stakeholders including employees (internal customers),customers (external customers), suppliers, competitors, bankers, and investors. It is important for the Companies to communicate their CSR activities, principles, and achievements to different stakeholders [11].The research findings show that there is a positive association between information flow and affective commitment, with a mediating effect for CSR aimed at employees and customers. However the CSR projects aimed at the government and society at large did not mediate the relationship between information flow and affective commitment. This emphasises how the awareness about the companies CSR activities among the internal stakeholders of the company can have a positive impact on the organisation commitment [12].

A seven country study of CSR website reporting has revealed that CSR programs and strategy varies from one Asian country to another but this variation is not related to the development status of each country but the business system in each country. It also showed that the multinational companies were more likely to adapt the CSR as compared to the locally operated companies. The CSR reflected the profile of their country of operation rather than the country of origin. This study analysed the CSR related data available from the 50 companies website spread across the seven Asian

countries India, Indonesia, Malaysia, the Philippines, South Korea, Singapore and Thailand. However the conclusions were based on the secondary data published by the company which does not give the actual implementation of CSR in these countries because the study was more focussed on the CSR communication rather than the actual implementation [13]. The present study analysed the CSR activities of the apparel manufacturers in India and Malaysia. These two Asian countries have shown their commitment for CSR through their countries policies on CSR.

3. METHODOLOGY

The study analyzed CSR action of all the WRAP certified apparel manufacturers in India and Malaysia. There were a total of 190 apparel manufacturers out of which 10 were based in Malaysia and other 180 were based in India. The study was conducted between December 2014 to December 2015. The study examined each of these companies official websites for any information regarding the CSR activities. Qualitative research design was used for this study. The analysis of data was done using the content analysis. The coding was straightforward all the activities which were under the theme of CSR were highlighted for each company. There were a total of 59 companies did not have any information about CSR. The companies which did not have any information on CSR were excluded from the analysis. The remaining 131 companies were taken for analysis. The CSR activities were divided into three category based on their relationship to core business, target of responsibility and expected benefit. The three categories are Philanthropy, CR Integration and CR innovation [14]. The details of their dimensions are explained in detail in the Table 1. CSR information were entered in a excel sheet using a specially designed performa for this study. Based on the themes the companies were categorised accordingly. The coding and dividing of the companies were done by three CSR experts separately to avoid bias of data and to maintain consistency. There was a consensus on the results between the three CSR experts. The final analysis was done using the simple descriptive statistics.

Table 1 : Details about CR Types

Dimension of action	CR Types		
	Philanthropy	CR integration	CR Innovation
Relationship to core business	Outside of firm's core business	Close to existing core business	Enlarging core business or developing new business
Target of responsibility	Extra activities	Environmental and social performance of existing business operations	New product or service development
Expected benefit	Image improvement and other reputation impacts	Improvements of environmental and social aspects of core business	Alleviation of social or environmental problem

Source : Types of corporate responsibility and engagement with NGOs: an exploration of business and societal outcomes [15]

3. RESULTS AND DISCUSSIONS

The results shows the Indian apparel companies communicate their CSR information more than the Malaysian apparel companies. The results are shown in the Figure 1 and Figure 2.

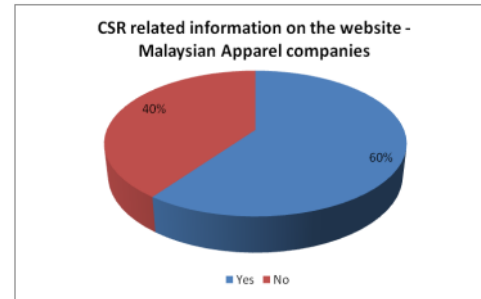


Figure 1: CSR information on company website – Malaysian Apparel companies

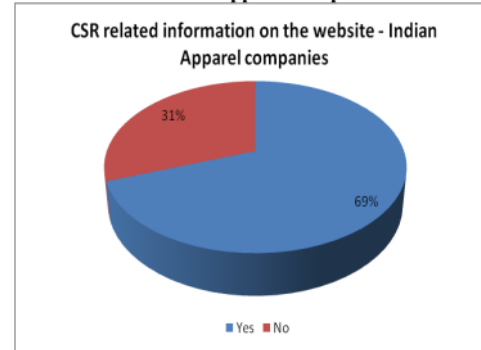


Figure 2: CSR information on company website – Indian Apparel companies

The results are consistent with the results from the study conducted on WRAP certified apparel manufacturers in India [14]. On an average 36% of the apparel companies in these two countries are not communicating their CSR initiatives on the company website. The CR type of the apparel companies shows that the percentage of Malaysian companies in the category of CR Innovation are more than the percentage of Indian companies. As shown in the Figure 3, 17% of the Malaysian apparel companies are categorized under CR innovation. However, as shown in Figure 4 in terms of percentage only 8% of the Indian apparel manufacturers are categorized under CR innovation.

The findings shows that 67% of the Malaysian apparel companies and 70% of the Indian apparel companies falls under the category of CR integration. This suggests that most of the companies have their CR actions close to their core business. In this case most of the companies are involved in the employee relations related CSR activities which is related to their core business as the industry as such a labour incentive industry.

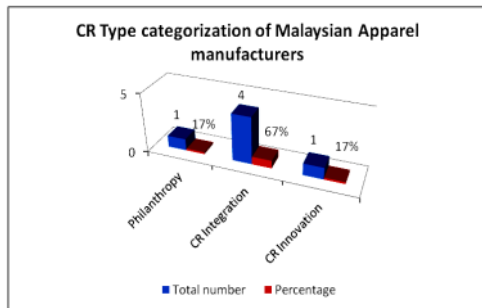


Figure 3: CR type categorization of Malaysian apparel companies.

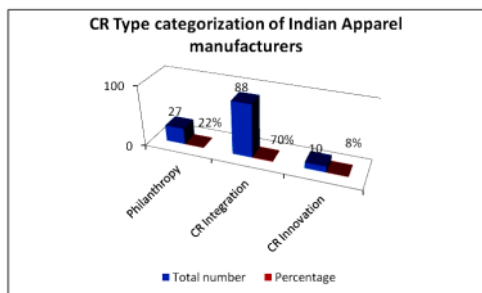


Figure 4: CR type categorization of Indian apparel companies.

3. CONCLUSION

Overall the findings shows that the Although the Indian companies communicate their CSR better than the Malaysian apparel companies, there is not much of a difference, hence apparel industry of these countries needs to communicate their CSR activities on their company websites. Majority of the apparel manufacturers in both the countries are in the category of CR integration, however for a long term and better business and societal outcome of their CSR actions the companies have to strategies their CSR activities to reach the level of CR Innovation. CR innovation has the highest potential of income generation locally and support self sufficiency of local community.

4. LIMITATION

The study was based on only the company websites future studies should include other CSR related report and also interviews with the stakeholders to get a more comprehensive report. The population of study of two countries were not equal as it included only the WRAP certified apparel manufacturers. However, the study tried to explore to understand the CSR activities in the apparel industry of India and Malaysia, future studies can be conducted in other industries and countries.

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