



International Journal of Economics and Financial Issues

ISSN: 2146-4138

available at <http://www.econjournals.com>

International Journal of Economics and Financial Issues, 2015, 5(Special Issue) 52-56.



2nd AFAP INTERNATIONAL CONFERENCE ON ENTREPRENEURSHIP AND BUSINESS MANAGEMENT (AICEBM 2015),
10-11 January 2015, Universiti Teknologi Malaysia, Kuala Lumpur, Malaysia.

Communicating the Corporate Social Responsibility on the Company Website: A Study Conducted on Worldwide Responsible Accredited Production Certified Apparel Manufacturers in India

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ABSTRACT

Business sustainability becomes an important issue in the present competitive business world. Therefore, organisation has to commit to corporate social responsibility (CSR) as a part of their business strategy. One of the important components of this strategy is the effective and transparent communication about CSR. This study examines the CSR communication in the company websites undertaken by the Worldwide Responsible Accredited Production (WRAP) certified apparel manufacturers in India. It also analyses whether the companies have mentioned regarding the Companies Act 2013 in their company website. The purposive sampling method was used and only the WRAP certified apparel manufacturing companies were included in the study. Data was analysed using the descriptive statistics. The study includes 180 WRAP certified apparel-manufacturing companies in India. Among them 118 were gold rated, 2 silver rated and 60 platinum rated. The finding shows that only 48% of these companies had CSR information in their company websites. In addition, only 3% of these companies gave some information about the Companies' Act 2013 in their company websites. In other words, majority of the firms in the apparel industry fail to disseminate the CSR information via website. Furthermore, only a few firms have mentioned the Companies Act 2013 in their websites. In general, the lack of proactive CSR communication among the apparel firms in India is perceptible. However, it does not necessarily show the absence of CSR action in these apparel-manufacturing companies.

Keywords: Corporate Social Responsibility, Communication, Apparel Industry, India

JEL Classifications: M000

1. INTRODUCTION

The concept of corporate social responsibility (CSR) has a long history. Despite efforts to bring a clear and unbiased definition of CSR, there is still some confusion as to how CSR should be defined. However, the confusion is not so much about how CSR is defined, as about how CSR is socially constructed in a specific context (Dahlsrud, 2008). However, the formal writing on social responsibility started in the 20th century, especially from the past 50 years (Carroll, 1999). One of the first definition of CSR was given by Bowen in his book *Social responsibilities of businessman* "it refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society"

(Bowen, 1953). Later CSR was defined by the Business Council for Sustainable Development as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (WBCD, 2000; Malik et al., 2014a). The business oriented definition says that CSR encompasses the adherence to fundamental economic and legal obligations which the business encounters in the environment where it operates (Qureshi et al., 2014). The responsibility of the business is to voluntarily contribute to the social development of these environments. The contribution to the social development should be in an adequate and structured manner. This is in accordance with the resource available to each business and the underlying business strategy (Fifka, 2009).

CSR has to be an integral part of the organisation to ensure the sustainability of the business. CSR can contribute significantly to the socioeconomic development of the country. CSR was voluntary in India before the introduction of the new Companies Act 2013. Certain criteria related to the CSR spending and CSR management were included by the Indian government under the clause 135 of the Companies Act 2013. CSR communication is very important because the organisation has to communicate their CSR initiatives to satisfy their stakeholders. Apparel industry contributes significantly to the country's export earnings and employment. Since this industry deals with both the local and global customers it is very important for the companies to communicate their CSR information in their company websites. To the best of our knowledge there are very few studies which has analysed the CSR communication in the website of the manufacturing companies. This study was carried out to examine the pattern of CSR communication in the company website of the WRAP certified apparel manufacturers in India. The main objective of this study was to examine if these companies have mentioned anything about CSR and Companies Act 2013 in their companies website.

2. LITERATURE REVIEW

2.1. CSR Communication

It is important for the company to disclose about their CSR policies and activities. This will help their stakeholders to determine if the company is adhering to the social contract. Increased disclosure reflects a company's awareness of its responsibility to society and shows the extent to which the company has embraced the prevailing societal values. It is also a way of integrating companies and the stakeholders. Furthermore, it will strengthen the social bonds between the companies and their stakeholders. As a result, companies that provide disclosure are viewed to be more legitimate than their counterparts (Dawkins and Fraas, 2008).

According to signalling theory (Spence, 1973), signals are a reaction to information asymmetries between companies and stakeholders, and companies reduce the asymmetry by providing information. Companies that are transparent in disclosing their company CSR activities, signal to their stakeholders that they are trustworthy. They also give the stakeholders confidence that they are less likely to be encumbered by regulatory oversight (Lynxwiler, 1983). Communication often remains a missing link in the practice of corporate responsibility. Effective communication of CSR depends on a clear strategy which evaluates both the opportunities and the risks to the brand, and which tailors messages to different stakeholder groups. It calls for a coordinated approach, which ideally embeds corporate responsibility messages into mainstream communications (Dawkins, 2004). CSR communication via the corporate website has been a direct offshoot of the digital revolution. (Esrock and Leichty, 1999). It is noted that corporate websites allow companies to engage in multi-stakeholder dialogue, a practical challenge of CSR communication. Therefore, CSR communication on the company website is an important part of the companies CSR strategy.

The website offers companies the opportunity to design messages that do not have to follow the dictates of gatekeepers as with print

and electronic media. Hence, web pages are available option for the companies to set and present an agenda on CSR. Perhaps the most strategic benefit of the Internet for CSR communication is that it allows "an ongoing and interactive process rather than a static annual product" (Antal, 2002). It is very important for these companies to use their company website efficiently to communicate their CSR related information.

2.2. CSR in India

Besides individual efforts by all the countries, some standards and guidelines have been defined internationally. Some of these international CSR standards and guidelines are the International Labour Organisation Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, Organisation for Economic Cooperation and Development (OECD) guidelines for multinational enterprises, United Nations Global Compact and The Universal Declaration of Human Right (Kotler and Nancy, 2005).

The first step to encourage CSR was taken by the Indian government in the year 2003. The Indian government introduced Corporate Responsibility for Environmental Protection as a guideline for 17 polluting industrial sectors. However there was no real pressure for implementation or internalization. In India, the Companies Act 1956 did not contain any provision regarding CSR. The scene of CSR in India changed with the introduction of the new Companies Act 2013. There are different views from the corporate and various industrial sectors in India about the CSR clause introduced by the Companies Act 2013. Business leaders, politicians, researchers and the civil society are debating the earmarking of 2% of the net profits of a qualifying company for CSR initiatives and earmarking the avenues for CSR initiatives under Schedule VII.

Clause 135 introduced by the Companies Act 2013 would go a long way in strengthening the social initiatives taken by the companies. It will encourage the organisation to be more transparent and accountable. It will also open up the avenue for CSR Consulting. However, some steps should be taken to sort out issues of penalties in the event of non-disclosure, scope of Schedule VII, internal controls etc. If the law on CSR is followed in true spirit, Indian organisations will succeed in discharging its social responsibility in an effective and efficient manner (Gahlot, 2013).

2.2.1. Clause 135 of companies act 2013

As per the Clause 135 of Companies Act, 2013 includes following criteria for CSR: (1) Net worth - INR500 Crores (approximately USD 83 million) or more OR, (2) Turnover - INR1000 Crores (approximately USD 166 million) or more OR, (3) net profit - INR 5 Crores (approximately USD 0.83 million) or more. If any company during any of the financial year fulfils, any of above conditions then it should: (1) Constitute a CSR Committee of Board which shall consist of minimum three directors, out of which one shall be independent director, (2) the committee shall formulate and recommend CSR policy which indicates company's activity as specified in Schedule VII and also amount recommend for the same, (3) at least 2% of the average net profit of the immediately preceding 3 financial years of the company

shall be used for spending in accordance with the CSR policy, (4) according to the approach “comply or explain,” board should explain the reason for not spending such amount if it fails to do so, (5) the company shall give preference to its local area from where it operates, for CSR activities (Ministry of Law and Justice Government of India, 2013).

2.3. Apparel Manufacturing Industry in India

The Indian Textiles Industry, which includes the apparel manufacturing industry, has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14% to industrial production, 4% to the gross domestic product, and 17% to the country’s export earnings. It provides direct employment to over 35 million people. The industry is closely linked to agriculture, the ancient culture and traditions of the India, making Indian textiles sector unique in comparison with other countries. This also provides the industry with the capacity to produce a variety of products suitable to the different market segments, both within and outside the country (Apparel-India.com, 2014; Khan, 2014).

2.4. Worldwide Responsible Accredited Production (WRAP)

WRAP is an independent, objective, non-profit team of global social compliance experts dedicated to promoting safe, lawful, humane and ethical manufacturing around the world through certification and education. WRAP is headquartered in Arlington, Virginia, USA and has branch offices in Hong Kong and Bangladesh and additional representatives in India and SE Asia (Thailand and Vietnam). The WRAP principles are based on generally accepted international workplace standards, local laws and workplace regulations that encompass human resources management, health and safety, environmental practices, and legal compliance including import/export and customs compliance and security standards. The 12 WRAP principles are: (1) Compliance with Laws and Workplace Regulations, (2) Prohibition of Forced Labour, (3) Prohibition of Child Labour, (4) Prohibition of Harassment or Abuse, (5) Compensation and Benefits, (6) Hours of Work, (7) Prohibition of Discrimination, (8) Health and Safety, (9) Freedom of Association and Collective Bargaining, (10) Environment (11) Customs Compliance, (12) Security (WRAP, 2014). Currently there are 180 WRAP certified apparel manufacturers, which is spread across different regions in India. This study examined how the CSR initiatives were communicated by these 180 apparel manufacturers on their company website.

3. RESEARCH METHODOLOGY

The study examined the company websites of the 180 WRAP certified apparel manufacturing companies in India. All the WRAP certified apparel manufacturers in India were included in the study and constituted a sample size of 180 companies. Among them 118 were gold rated, 2 silver rated and the remaining 60 were platinum rated. The purposive sampling technique was used for this study. The selected companies were mainly into apparel manufacturing

and export of the apparel products. The websites of each of these companies were examined for any CSR related information, defined as corporate discourse and/or programs that constitute: (a) Responsibility towards the consumers, employees, and other stakeholders; (b) responsibility towards the environment; and (c) responsibility towards community development (Besser, 1998; Malik et al., 2014b). The company websites were also examined for any information on the CSR related requirements as per the clause 135 of the new Companies Act 2013.

The data was recorded using a performa, which was specially designed for this study. The performa was designed using an excel sheet. All the required company information needed for the study was recorded under the headings WRAP certificate number, certificate type, expiration date, facility name, facility city, company products, employee strength, company turnover, contact details, company website, data source, information on CSR, information on companies act 2013, CSR Board, pictures related to CSR. The company website was searched in the Google search engine using the company name as the keyword. All the CSR related details were recorded in the performa. The company, which gave CSR details, were recorded as “Yes” and “No Information” for the company, which did not give any details on CSR. Similarly, the companies, which gave information about the companies’ act 2013, were marked as “Yes” and “No Information” for the company, which did not give any information on this. The data was analysed using descriptive statistics.

4. RESULTS AND DISCUSSIONS

The study results showed that out of 180 companies, 31% or 55 companies did not have their own company website. However, 50 companies out of these 55 companies had their company profile registered in the online directory websites and the remaining companies did not have any details online.

As shown in the Figure 1, we found that 52% of the companies gave CSR information on their company website and 48% did not give any CSR information on their company website.

As depicted in the Figure 2, we found that only 3% of the companies communicated regarding the Companies Act 2013 on their company website. The results also showed that only 2% out of the 180 companies provided details about the companies separate CSR Board on their company website. Only 12% companies

Figure 1: Corporate social responsibility information on the website

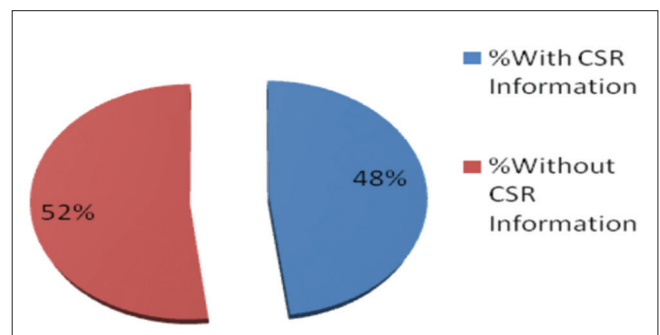
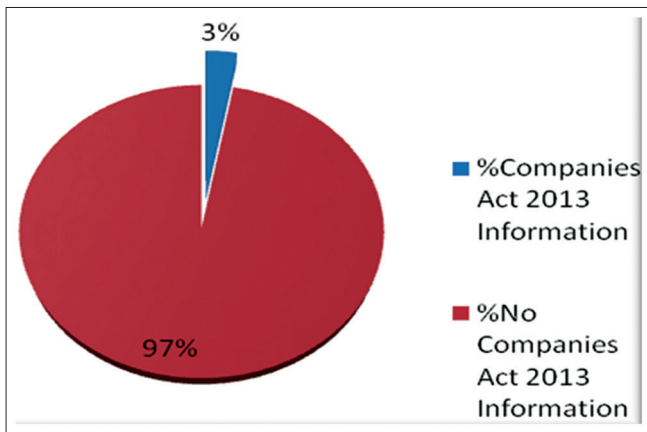


Figure 2: Companies Act 2013 information on the website



posted pictures related to their CSR activities on their company websites.

The recent developments in India have forced the organisations to take CSR seriously. It is important for the companies to integrate CSR into their business strategy. CSR communication should be part of the companies CSR strategy to increase transparency and improve the brand image of the company, especially for the companies which have global customers. The apparel manufacturing Industry in India contributes significantly to the country's export revenue. Therefore, it is important for this sector to attract global customers. Since CSR is practiced widely in the developed countries the buyers will give importance to the companies CSR standing before placing the order.

A study was conducted to examine the CSR communication undertaken by the top 100 information technology (IT) companies in India on their corporate websites. The findings of this study indicated that the number of companies with CSR information on their websites is strikingly low and that these leading companies do not leverage the web sites to their advantage in terms of the quantity and style of CSR communication (Chaudhri and Jian, 2007). The findings in our study is in line with the findings of the previous study on the company website of the IT companies in India. The results show that only 48% of the examined apparel manufacturing companies in India give information regarding CSR on their company website.

The conclusion from one of the research conducted by Dawkins concluded that the effective communication of corporate responsibility depends on a clear strategy which evaluates both the opportunities and the risks to the brand, and which tailors messages to different stakeholder groups. There should be a coordinated approach, which ideally embeds corporate responsibility messages into mainstream communications (Dawkins, 2004). The findings of the present study on the website of the Indian apparel manufacturers show that the companies have not given due importance to communicate the CSR initiatives of the company. However this does not conclude that these companies do not have any CSR activities because some companies may not have communicated their CSR activities in the websites. It is very important for these apparel manufacturers in India to integrate the CSR communication as part of their CSR strategy to increase the effectiveness of CSR activities of the company.

In spite of the recent changes in the company law related to CSR the apparel manufacturing companies in India have not given much importance to CSR communication on their company website. The finding also suggests that some of the apparel companies have not yet utilised the internet as their communication medium. 55 companies does not have a company website and out of this 55 companies 5 companies have not even register in any of the online directory. This shows that in spite of India being one of the leaders in the IT sector not all of the apparel manufacturing company have used the internet efficiently to market their company.

The finding also shows that out of the 50 companies registered their company in the online directory 4 companies have given some details on the CSR activities of their company. This shows that even though some of the companies do not have the company website they realise the importance of CSR communication. So they communicate the companies CSR initiatives to build the positive image in the minds of the global customers. Out of the total 180 companies, only 53 companies gave information about their annual turnover. Of these 53 companies, 15 companies fulfilled the criteria set under the clause 135 of new companies act and as per this clause, they should have a separate CSR board. However, results show that only three factories have given details of the separate CSR board and all the three factories come under the same group. This shows that apparel companies are still in the infancy stage in terms of implementing the latest guidelines set by the Companies' Act 2013.

5. CONCLUSION

Overall, the findings show that the apparel manufacturing companies in India have not realised the importance of communicating the CSR activities. More than 50% of the total examined apparel companies do not give any information on CSR in their company website. This suggests that apparel manufacturers in India do not include CSR communication as a part of their CSR strategy. However, the finding does not necessarily show the absence of CSR action in these apparel companies. Majority of the apparel manufacturers gave no information on the CSR board or any related information on the clause 135 of the Companies' Act 2013. The apparel manufacturers have to start implementing this immediately to help the government achieve effectiveness of CSR. The importance of CSR is recognised globally. Apparel manufacturers in India have to use the communication through the World Wide Web. This will help them to attract the new global buyers. CSR is gaining importance in the developing countries like India and to maintain transparency it becomes important for these companies to communicate their CSR actions on the company website. As per the latest statistics 42.3% of the world population use the internet (Miniwatts, 2014). The apparel companies need to use the internet as the medium to communicate their companies CSR efficiently to stay competitive in the global business.

6. LIMITATION AND SCOPE OF FUTURE RESEARCH

The study is limited to measuring CSR communication only through the company website and only the WRAP certified apparel manufacturers in India. Future research can be done on

other manufacturing sectors in India and other countries. The research methodology adapted for this study was the simple descriptive study. However, we can understand the extent of CSR communication if content analysis is used to analyse the information related to CSR published by the companies on their company websites.

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