

Corporate Social Responsibility in Manufacturing Sector of Tirunelveli District- An Empirical Study

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ARTICLE DETAILS

Article History

Published Online: 03 Oct 2018

Keywords

Corporate social responsibility, Stakeholders, CSR practices.

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ABSTRACT

Corporate Social Responsibility of business refers to what a business does over and above the statutory requirement for the benefit of the society. The word “responsibility” emphasises that the business has some moral obligations towards the society. Corporate Social Responsibility also called Corporate Conscience or Responsible Business is a form of corporate self-regulation integrated into a business model of any sector. Corporate Social Responsibility is a concept whereby financial institutions not only consider their profitability and growth and also the interests of society and the environment by taking responsibility for the impact of their activities on stakeholders, employees, shareholders, customers, suppliers and civil society represented by NGOs. The economic globalisation resulted in a demand for corporations to play a central role in efforts to eliminate poverty, achieve equitable and accountable systems of governance and ensure environmental security. The purpose of the study is to examine the view of stakeholders towards corporate social responsibility activities on the firm. This study looks at CSR activities towards some of the primary stakeholders namely, employees, customers and suppliers, community and environment.

1. Introduction

The corporate sector across the globe is coming to terms with its new role, which is to meet the needs of the present generation without compromising the ability of the next generation. Businesses are slowly but surely assuming responsibilities for the ways their operations impact society and the natural environment. The aim of all business is to improve the quality of life and build leadership that will generate a sense of trust among people. CSR represents the human face of the highly competitive world of commerce. Perception of this human face is a vital and necessary part of society's willingness to accept the significant and sometimes (at least in the short-term) difficult changes brought about by elements of globalization. If international companies set policies, however well intentioned, from remote corporate headquarters without also fostering partnerships and local involvement in the communities in which they do business, they are likely to fuel feelings of alienation and suspicion. Business today simply cannot afford such alienation since those very communities are vital to a company's continued commercial success. Business needs a stable social environment that provides a predictable climate for investment and trade¹.

CSR is the means by which business contributes to that stability rather than detracting from it. By establishing and maintaining a corporate agenda which recognizes social priorities and is tailored to meet them, business displays its human face to consumers, communities and opinion leaders. The concept of Corporate Social Responsibility was first

mentioned 1953 in the publication ‘Social Responsibilities of the Businessman’ by William J. Bowen. But, the term CSR became popular only in the 1990s. The term is still imprecise and its application differs widely. Despite voluminous literature on the subject, CSR remains a broad, complex and continually evolving concept that encompasses a variety of ideas and practices. The beliefs and attitudes towards CSR have changed over time. Some scholars think that it is Oliver Sheldon of the US who put the concept forth for the first time. In 1924, he proposed that a company's business operation should be combined with responsibilities of all human necessities inside and outside the industry. The interests of a community should be placed prior to the profits of a company². This idea has greatly impacted the traditional social concept in which “the responsibility of a company is simply to make money for stockholders. Since the second half of the twentieth century, a long debate on CSR has been taking place³.

Corporate Social Responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources – Kotler and Lee (2005). The term Corporate Social Responsibility (CSR) defines how a company conducts its business in a socially acceptable way and that it is accountable for its effects on all of its stakeholders, including the environment. A key element of this definition is the word is discretionary. It does not include those activities that are mandated by law or that which are ethical or moral in nature and therefore expected. Rather it

¹ McWilliams, A., and D. Siegel (2000) “Corporate social responsibility and financial performance: Correlation or misspecification?” *Strategic Management Journal*, 21 (5): 603-609.

² Wood, D. J.: 1991, ‘Corporate Social Performance Revisited’, *Academy of Management Review* 16(4), 691– 718.

³ Aaker, D 1994, ‘Building a Brand: The Saturn Story’, *California Management Review* 36(2), 114-121

refers to a voluntary commitment a business makes in choosing and implementing these practices and making these contributions. Such a commitment must be demonstrated in order for a company to be described as socially responsible and it will be fulfilled through the adoption of new business practices and/or contributions either monetary or non monetary. The term community well-being in this definition includes human conditions as well as environmental issues⁴.

2. Statement of the Problem

The growing interest in 'CSR' and 'sustainable development' can be attributed to the growing size of businesses and the corresponding shrinking role of governments. With the advent of scientific inventions and the dominance of democratic forms of governance in most parts of the world, and the exponential growth of the middle class all over the world, the expectations from corporate houses have increased manifold. The concept of CSR emerged from the sense of responsibility among polluting industries such as oil, chemicals, tobacco and mining. CSR today is thriving, with full time managers, websites, newsletters and professional associations. The annual report of almost every major company has several pages devoted to the social goals and community activities undertaken by it. Although economic considerations constitute the main driving factor in any business activity, there is a growing resistance against the conventional view that business is chiefly meant for improving the economic condition of an individual or a group of individuals⁵. The concept of CSR is qualitatively different from the traditional concept of philanthropy.

As Indian companies grow global, in many corporate houses, ownership is becoming distinct from management. This coupled with other socioeconomic pressures has resulted in a shift from corporate philanthropy to corporate social investment. The desire and urge in business to be sensitive about social responsibility has a significant and far-reaching impact on financial performance, resulting in increased revenues and reduced operating costs. CSR is a business process, wherein the institution and the individuals are sensitive and careful about the direct and indirect effect of their work on internal and external communities, environment and the outside world⁶. In this context, there is a need to understand the business case for CSR as in the years to come, displacement of people for accommodating industries, large scale migration of people from rural to urban areas and the impact of industries on the communities and the environment are set to take centre stage⁷.

3. Significance of the Study

⁴ Rugimbana R, Quazi a, and Keating B, 2008, *Applying a Consumer Perceptual Measure of Corporate Social Responsibility: a Regional Australian Perspective*, *Journal of corporate citizenship*, Spring 2008.

⁵ Wright, P. and S. Ferris: 1997, 'Agency Conflict and Corporate Strategy: The Effect of Divestment on Corporate Value', *Strategic Management Journal* 18(1), 77–83.

⁶ Ross, S.: 1973, 'The Economy Theory of the Agency: The Principal's Problem', *American Economic Review* 63, 134–139.

⁷ Abigail McWilliams and Donald Siegel (2001), 'CSR: A theory of the firm perspective', *The Academy of Management Review*, Vol. 26, No. 1 (Jan., 2001), pp. 117-127.

This study gains its importance from the increasingly strategic business weight and attention paid to Corporate Social Responsibility, which allows business to be more sustainable, and enables it to give something back to societies they are placed in, and make efforts to create social, economical and environmental innovation. Also, this study is one of the few studies on CSR and financial performance in the Indian context. It may provide a framework for companies to evaluate their CSR activities. The companies included in the study represent the 30 manufacturing companies of Tirunelveli district and the role of these companies in shaping the economic, social and environmental future of the country is very significant. The mainstreaming of CSR activities is catching up in India too now. Businesses have realized that consumers are willing to pay more to a company that acts on ideals. Increasingly, it is not enough to be just perceived as a company that does no harm. Today, companies need to be seen as institutions that also does good.

4. Objectives of the Study

1. To study the impact of Corporate Social Responsibility on firm performance empirically.
2. To study the relationships among CSR towards primary stakeholders - employees, customers and suppliers, community and environment.

5. Scope of the Study

The study entitled "**Corporate Social Responsibility in manufacturing sector of Tirunelveli District-An empirical study**" encompasses the study in Tirunelveli district only; the manufacturing sector told in this study includes the private sector providing service to its customers in the study area.

6. Methodology

- a. **Selection of the Sample:** In the primary stage of methodology is related to selection of the sample. This study was conducted in the manufacturing sectors of Tirunelveli District, only the private sectors are the samples of the study (depicted in annexure). Stratified random sampling technique was adopted for selection of the sample.
- b. **Formation of the Interview schedule:** The second stage of methodology is related to the formation of Interview schedule to obtain necessary particulars pertaining to the study. The researchers interviewed the sample respondents with the help of pre-constructed Interview schedule to find out the profile, CSR activities and services rendered by the sectors to their Stakeholders.
- c. **Collection of Data (Methods of data collection):**

Primary Data: Primary data is the data which is collected for the first time by investigators, the data collected from Supervisors, managers and owners.

Secondary data: Secondary data refers to the data which is originally collected and published by the authorities other than who require it, the list of manufacturing sectors operating in Tirunelveli district in detail (56 units – sample units).

d. Consolidation of Data: The collected data was consolidated in the form of schedules for the purpose of interpretation; tabulation and formation of master table for analysis purpose. After the classification, the data was processed (analysis) by using various statistical tools (SPSS).

e. Analysis of Data: Simple percentage Analysis, Likert-type Scale and Chi-Square

7. Framed Hypothesis

- **Ho:** There is no significance relationship between the primary stakeholders and CSR practices in the study area.

8. Limitations of the Study

- ❖ The study is confined to the respondents of Tirunelveli district only.
- ❖ The CSR practice is limited only to the manufacturing sectors and all other sectors are ignored and not taken for the study.
- ❖ Only the most leading and known manufacturing units are taken for the study small units are ignored as they are not following up to full extend.

9. Analysis of Data

Table 1

Profile of the respondents and detail of the sector (majority)

Sl.no	Particulars	Variable	No. of respondents	Percentage
1	Age	46-55 years	12	40
2	Educational qualification	Graduates	11	37
3	Position	Managers	12	40
4	Years of service	Above 11 years	17	57
5	Year of establishment	1980-2000	10	33
6	No of employees	More than 20001	13	43
7	Foundation for CSR	No	21	70
8	Budget for CSR	No	18	60

Source: Primary Data

Table 2

Distribution on ranking of Employee CSR

Sl.no	Employee CSR	5	4	3	2	1	MS	MR
1	E1	77	42	10	1	1	4.36	1
2	E2	69	40	12	2	1	4.13	4
3	E3	66	42	11	3	1	4.11	5
4	E4	70	49	5	3	1	4.26	3
5	E5	57	38	20	3	1	3.96	7
6	E6	72	49	7	2	1	4.35	2
7	E7	46	44	15	5	2	3.72	10
8	E8	40	48	15	7	2	3.73	9
9	E9	88	32	1	1	1	4.10	6
10	E10	45	34	24	8	1	3.74	8
11	E11	36	40	27	6	1	3.66	11

Source: Computed Data

Table 3
Distribution on ranking of Customer & Supplier CSR

Sl.no	Customer & Supplier CSR	5	4	3	2	1	MS	MR
1	C&S 1	82	49	2	1	1	4.50	1
2	C&S 2	41	39	23	8	1	3.73	3
3	C&S 3	39	35	24	8	2	3.60	4
4	C&S 4	42	68	10	2	1	4.10	2

Source: Computed Data

Table 4
Distribution on ranking of Community CSR

Sl.no	Community CSR	5	4	3	2	1	MS	MR
1	C1	72	49	6	2	1	4.33	2
2	C2	81	37	6	3	1	4.26	4
3	C3	28	48	31	4	1	3.73	6
4	C4	70	49	6	2	1	4.27	3
5	C5	67	43	12	3	1	4.20	5
6	C6	39	35	24	7	2	3.56	8
7	C7	32	32	2	1	1	2.26	9
8	C8	45	33	24	8	1	3.70	7
9	C9	105	34	1	1	1	4.73	1

Source: Computed Data

Table 5
Distribution on ranking of Environment CSR

Sl.no	Environment CSR	5	4	3	2	1	MS	MR
1	ENV 1	75	55	2	1	1	4.46	2
2	ENV 2	82	49	2	2	2	4.56	1
3	ENV 3	42	68	10	2	1	4.10	4
4	ENV 4	68	41	12	2	1	4.13	3
5	ENV 5	41	39	23	8	1	3.73	8
6	ENV 6	47	38	24	4	1	3.80	7
7	ENV 7	46	45	16	5	2	3.81	6
8	ENV 8	57	39	20	3	1	4.00	5

Source: Computed Data

10. Findings

- ❖ **Profile of the respondents and detail of sector:** It is found that out of 30 respondents taken for the study majority of the respondents fall under the age group 46-55 years (12- 40%), graduates (11-37%), managers (12-40%), year of service above 11 years (17-57%).It is found that out of 30 manufacturing units taken for the study majority of the units are established between 1980-2000 (10-33%), their number of employees are more than 20001 (13-43%). It was also found that majority of the respondents are unaware of CSR (21-70%) and they have not allotted budget for CSR (18-60%).
- ❖ **Employee CSR:** E1:Does your organization provide health care for the employees including health assistance, maternity leave?, E2: Does your organization offer subsidized/free lunch or refreshments to its employees?, E3:Does your organization provide credit for housing/car/education?, E4: Does your organization provide bonus/rewards or ESOPs to employees?, E5: Does your organization

sponsor/ finance employees for higher education?, E6: Does your organization have policies for the training and development of employees?, E7: Does your organization provide recreational facilities provided for the employees (gym, club Memberships)?, E8: Does your organization have the right to freedom of association, collective bargaining, E9: Does your organization have promotion policies for women and minorities?, E10: Does your organization have policies for formal Worker representation in decision making?, E11: Does your organization have policies to ensure representation of women and minorities on the Board of Directors?. It is found that E1 is ranked first followed by E6 and E4.

- ❖ **Customer & Supplier CSR:** C&S 1: Does your organization respond to customer complaints immediately, C&S 2: Does your organization have policies on requirement of tenders and lowest price standards while appointing suppliers, C&S 3: Is your organization directly involved in providing products to the economically disadvantaged, C&S 4: Does your organization have standards and voluntary codes for advertising. It is found that C&S 1 is ranked first followed by C&S 4.
- ❖ **Community CSR:** C1: Does your organization contribute to religious charities, C2: Does your organization donate to NGOs for social activities, C3: Does your company sponsor sports tournaments(village development), C4: Does your organization encourage volunteering of employees' for Community development activities, C5: Does your organization contribute to education initiatives, C6: Does your organization contribute to disaster relief funds, C7: Does your organization contribute to community health initiatives, C8: Does your organization contribute towards promotion of art/culture, C9: Does your organization contribute to rural development. It is found that C9 is ranked first followed by C1 and C4.
- ❖ **Environment CSR:** ENV1: Does your organization have an explicit environment policy, ENV2: Does your organization use renewable sources of energy, ENV3: Does your organization have a policy of Recycling and treatment of waste, ENV4: Does your organization have provision of environment pollution protection/prevention systems, ENV5: Does your organization spread environmental awareness through messages and campaigns, ENV6: Does your organization have a policy of substitution of polluting and hazardous materials/parts, ENV7: Does your organization provide regular Voluntary information about environmental management to customers and institutions, ENV8: Does your organization have an Environmental emergency plan. It is found that ENV2 is ranked first followed by ENV1 and ENV4.
- ❖ **Major finding**
E1: Does your organization provide health care for the employees including health assistance, maternity

leave?, C&S 1: Does your organization respond to customer complaints immediately, C9: Does your organization contribute to rural development and ENV2: Does your organization use renewable sources of energy are the CSR practices that are commonly followed in the manufacturing sectors.

The research found that majority of the respondents do not know the term CSR but unknowing they are following the practices as welfare for their stakeholders, only a very few respondents are aware of the term CSR as it was included in tax benefit.

11. Suggestions

It was observed from the responses of managers that personal values of owners and managers were the main motivating factor for undertaking CSR. This implies that the CSR initiatives are mainly owner driven and the promoters/owners values are mirrored in the company's CSR policies. In certain cases, where the CSR initiative has been extremely successful, especially in the spread of computer education programs, providing livelihood for the differently able persons etc., the government has provided all support to such companies to carry this initiatives to other areas too, therefore the government has to take steps to provide awareness to the owners regarding CSR and it should also see that all the sectors are registered and allocate budget for it.

12. Conclusion

Social Responsibility of business refers to what a business does over and above the statutory requirement for the benefit of the society. The word "responsibility" emphasises that the business has some moral obligations towards the society. CSR, also known as Sustainable Responsible Business (SRB), or Corporate Social Performance, is a form of corporate self-regulation integrated into a business model. The growing concerns for sustainable development, environmental performance, encompassing pollution control and management of natural resources has given mass recognition to the concept of Corporate Social Responsibility (CSR). The integration of CSR principles in operating activities of business is very much essential to ensure sustainable development of an economy⁸.

⁸ Pradhan Sudepta" : "CSR Inclusion In Firms: A study of Indian Banks"66-75.

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