

CSR'S ETHICAL SPIRIT IN KNITWEAR INDUSTRY OF LUDHIANA

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ABSTRACT

Corporate Social Responsibility is a voluntary corporate commitment and investment in the company's future which motivate quality employees (supply side perspective) and increases the value of brand (Demand side perspective) which further increases company goodwill. This study was undertaken to comparatively analyze the awareness and commitment of knitwear units towards ethical practices among inward oriented and outward oriented units of Ludhiana. Eighty industrial Knitwear units belonging to Knitwear Apparel cluster of Ludhiana (Punjab) were surveyed. Random sampling method (Lottery method) was used for the selection of 80 units from 4 major blocks in Ludhiana. Interview Questionnaire schedule was used to collect the data regarding their CSR practices. The results revealed that majority of the units in Ludhiana considered ethical behaviour towards their employees very important and also had defined ethical policy and proper implementation of the code of ethics. Majority of the outward units strictly abide by the ethical code of conduct and were engaged in ethical practices like timely payment of suppliers invoices, supplied clear and accurate information in all contract, dealings and registered and resolved complaints of customers while only few units believed in getting fair return on their investment and abide by the laws of the land in comparison to inward oriented units.

Keywords- Business Ethics, Ethical behavior, Code of ethics and ethical practices.

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INTRODUCTION

Multi Fibre Agreement (MFA) came to an end on the 1st of January 2005 leading to the end of quota regime as per the Agreement for Textiles and Clothing (ATC) of World Trade Organisation (WTO). It led to free trade scenario with no protectionism, free and fair competition and new opportunities for all countries especially the developing countries to expand their garment and textile exports. Sourcing patterns of global buyers has changed, assisting in the shifting of production locations and facilitating much cost reduction in sourcing commodities like garments from cheap locations i.e. from the smaller range of countries especially developing countries hence intensifying the competitive pressure among the small and marginal players. It led to new prospects for many countries like China, Bangladesh, Sri Lanka, Taiwan and Vietnam etc with whom India is having tough competition in the garment exports. China became the “supplier of choice” for most buyers due to its capacity to make almost any type of textile and apparel products at competitive price and with desired quality level.

Due to the advancement of globalization and technology and also Western markets becoming more and more concerned about labour and environmental standards in the developing countries, scenario has become different now. The dual pressure of social, ethical, labour and economic compliance faced by China’s apparel industry and non adherence to social and ethical rules and China’s closed door policies have led buyers in search of new cost effective competitive manufacturing destinations. Generally the Indian garment exporter also by and large does not enjoy a good public image, but a few leading industries have made significant contributions to the economic and social well-being of the country. But instances of adulteration, hoarding, black-marketing, and exploitation of workers, tax evasion and other anti-social practices are very common in the Indian industry.

The pressure of international community and society has made the industrial units to think of changing or adopting such technologies, which does not emit greater heat, gases and toxic effluents either in air or pollute water or environment. It had also led different countries to make laws to regulate air, water and surface pollution, check the unfair practices, unhealthy competition, and monopolistic and restricted trade practices.

The responsibility of corporation of business enterprises towards society and their notion of looking beyond profits is generally termed as Corporate Social Responsibility (CSR). It refers to a company linking itself with ethical values, transparency, employees relations, compliance

with legal requirements and overall respect for the communities in which they operate. CSR is a corporate philosophy that drives strategic decision-making, partner selection, hiring practices and, ultimately brand development (*McComb, 2002*). *Chander* defined CSR as “transparent business practices that are based on ethical values, compliance with legal requirements and respect for people, communities and the environment”.

Business ethics refers to learning about what is right or wrong in the workplace and doing what’s right in terms of how the decisions affect a company, its products, services, client and stakeholders (*Diamond, 2006*). Factors forcing industries to adopt business ethics are -

a) Moral Consciousness: - It is due to moral consciousness that majority of businessmen have avoided adulteration, over-charging, Spurious goods, black-marketing, false advertising, etc., long before the law was declared.

b) Enlightened Self-interest: - A businessman makes promises to the customers, employees, or contractors, and he has to honour the promises made by him by serving its customers with good quality goods, and fair prices, treats its employees with respect and dignity, reward its shareholders with good dividends and capital gains and pay taxes honestly. It leads to increase in the good sales and profit of the businessmen. Therefore, business ethics ultimately results in customer satisfaction, healthy competition, sound industrial relation and social peace.

c) Social Pressure: - Whenever business act irresponsible and in a unethical way, like false claims in advertisement, profiteering, exploitation of labour, etc., civic bodies like consumer forums, trade unions, shareholders associations and other social groups compel them to adopt the ethics.

d) Legal Imperative: - Law reflects ethical conduct and businessmen must follow them in both letter and spirit (*Sunita, 2005*).

Table 1: Ethical Influences in Business

S.NO.	FUNCTION	ETHICS
1	Marketing	Treatment of customers
2	Advertising	Truth of claims
3	Location	Impact on community and environment
4	Production	Pollution treatment claims
5	Transportation	Safety regulation compliance
6	Administration	Concern for social values

7	Finance	Profits to decompensate investors Safeguarding assets
8	Personnel	Meeting promises to pay Fair treatment in hiring, promotion Dismissal, and pensions
9	Purchasing	Avoid hoarding
10	Information	Credibility, validity

Ethical Code of conduct serves to guide all members of the profession or industry. A code of ethics requires and prohibits specific practices. It may not deter the misbehaviour of international wrong doers but it reminds employees that the company is fully committed to meeting its standards and would like to incorporate these standards into their daily activities. A code of conduct improves the confidence of customers and others in the quality of products and services. Code of ethics is necessary and useful as it can be a guide to socially responsible behaviour. Some companies arrange training programmes to teach their employees how to confront moral problems in business.

The Ethical code serves the following groups:

- a) **Customers:** - When an organisation follows a code of conduct, its customers are protected against undesirable transactions, e.g., price discrimination, miss-leading advertisement, etc. They can deal with confidence and their anxiety is eliminated.
- b) **Employees:** - Employees knew what type of behaviour is expected of them. They can easily distinguish between ethical and unethical acts and thereby avoid unethical practices.
- c) **Company:** - The Company gains from the code of conduct because it has to exercise less control over the behaviour of its employees. The code also serves as a basis for maintaining public relations.
- d) **Industry:** - Codes of conduct lead to healthy competition and fair trade practices in the industry .Therefore, the industry can gain in a socially responsible manner.
- e) **Society:** - Society is the ultimate beneficiary of ethical codes, when professional follow certain specified patterns of behaviour (*Gupta, 2000*).

Table 2: Unethical Business Behaviour

Product	Example
Safety	Manufacture of flammable clothing or toys
Shoddy goods	Products that cannot withstand ordinary wear and tear
Environmental	

products Brand counterfeits	Using polluting dyes and chemicals in apparel and fabric manufacture Counterfeit goods labeled and sold as the genuine brand
Price	
Excessive markups Price comparisons	High prices used by retailers to connote quality False original price for sale price to appear as a bargain
Promotion	
Exaggerated claims Tasteless advertising Deceptive advertising Captive audience	Cosmetic ads claiming to change skin structure Sexual innuendos and gender disparagement Lose pounds with no diet and exercise Mandatory view to TV commercials by school subscribing to closed channel newscasts

Source: Schiffman & Kanuk, 2000

Indian knitwear industrial units who produce and export goods for the development world now needs to pay a close attention in compliance with international standards making it an essential part of their business activity. In the absence of a strong system of global enforcement of social, ethical and labor laws, many multinational corporations have developed their own “codes of conduct” as well as a variety of “monitoring” mechanisms aimed at enforcing compliance with these codes. The US Department of Labour (DOL) continues to feature the Indian garment industry on its Executive Order (EO) 13126 List that sets forth a list of products, by country of origin which US authorities believe might have been manufactured by forced child labour. Even though Indian garment export industry claims to be complying fully with the highest standards, but, they cannot say with confidence that the complete supply chain is clean. As a lot of hand work is being outsourced to agents who get the work done through their network over which the exporter has very little or no control. This continued mention of Indian garment industry in the DOL list had further thrown challenges for the industry (Anonymous , 2012).

Ludhiana industry is the owner managed industry where owners perform all basic functions of marketing, procurement and finance, and as such, they do not want to appoint professionals or believe in training their personnel. The present study was conducted to assess the Corporate Social Responsibility adoption status in Knitwear industry of Ludhiana.

AIMS & OBJECTIVES-

1. To assess the adoption status of CSR with special reference to ethical practices in Knitwear units of Ludhiana.
2. To comparatively analyze the commitment towards ethical practices among inward oriented and outward oriented Knitwear units of Ludhiana.

METHODOGY

The related literature was reviewed. The sampling unit selected for the study was the individual knitwear unit in Ludhiana which was a member of Knitwear club. Knitwear club has membership of 800 Knitwear units. Treating this as a proxy for the population, 80 medium knitwear units (10% of the population) were selected which were considered adequate and manageable to obtain the required data. Sample area was divided in four regions i.e. Area I, II, III & IV. Twenty units were randomly selected from each area. The information regarding the industrial unit’s social commitment was collected personally by the researcher through personal interview of the unit owners or their representatives after taking telephonic appointment. The data collected was coded, tabulated and analysed.

Plate-1 Area Distribution of Ludhiana

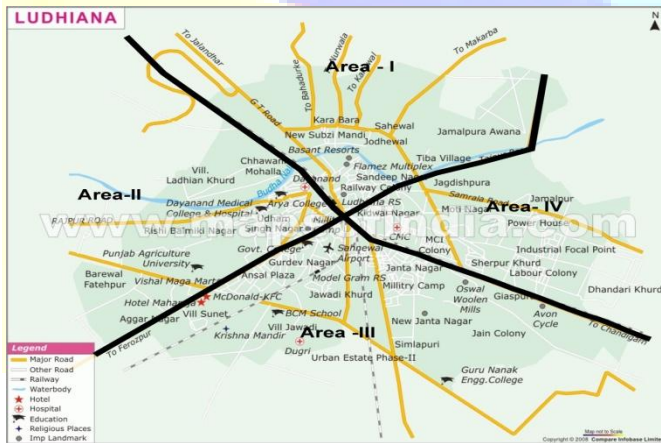
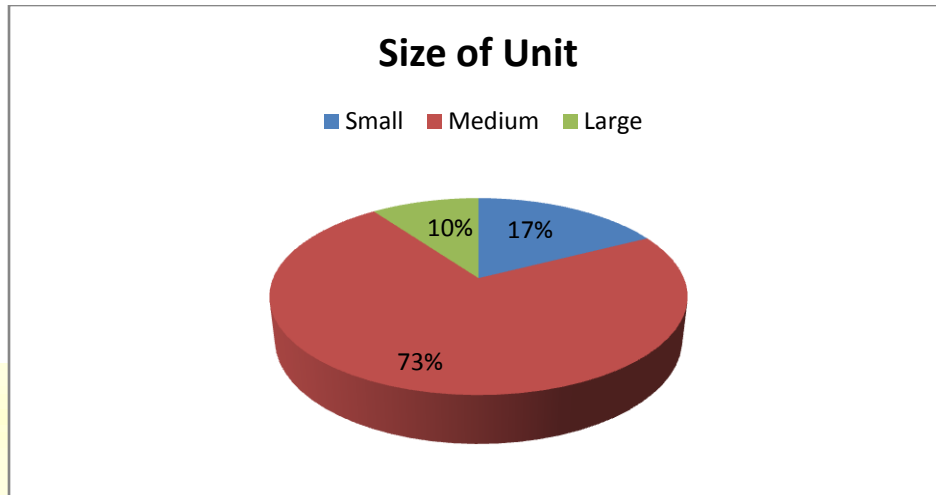


Fig 1: Pie chart showing respondents on the basis of the size of unit



In Ludhiana, 73% of units surveyed were medium in size (Investment in plant & machinery between Rs. 5 to 10 crores), 10% of units were large in size (Investment in plant & machinery above Rs. 10 crores) and whereas 17% of units were small in size (Investment in plant & machinery between Rs. 25 lakhs to 5 crores) (Gill, 2010).

In Ludhiana out of the 80 units surveyed, 65% of units were producing garments for brands, which included 77% outward and 55% inward oriented units.

Table 3: Distribution of the respondents on the basis of the ethical behavior towards employees

Sr. no.	Ethical behaviour towards employees	Outward oriented (n=35)		Inward oriented (n=45)		Total (n=80)	
		f	%	f	%	f	%
1.	Very Important	25	71	16	36	41	51
2.	Important	10	29	29	64	39	49

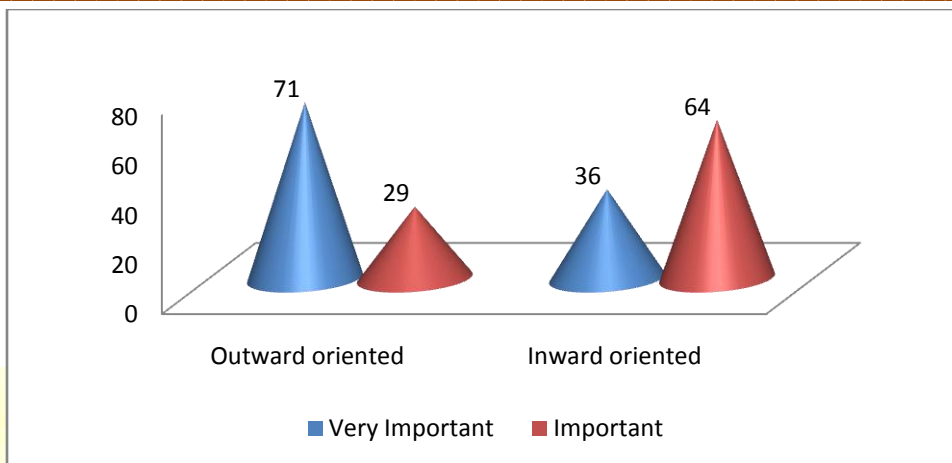


Fig 2: Column diagram showing respondents on the basis of the ethical behavior towards employees

Majority of the units in Ludhiana considered ethical behavior towards their employees very important in order to motivate their workers towards becoming totally committed to their units.

Table 4: Distribution of the respondents on the basis of the implemented code of ethics

Sr. no.	Implemented code of ethics	Outward oriented (n=35)		Inward oriented (n=45)		Total (n=80)	
		f	%	f	%	f	%
1.	Yes	26	74	17	38	43	54
2.	No	7	20	27	60	34	42
3.	Do not follow	2	6	1	2	3	4

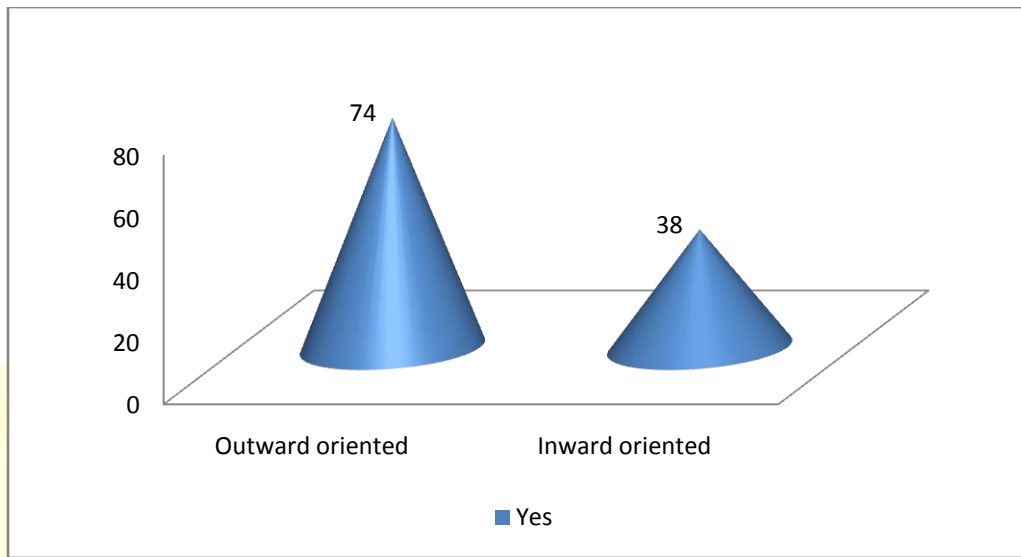


Fig 3: Column diagram showing respondents on the basis of the implemented code of ethics
Majority (74%) of the outward oriented units had a defined ethical policy and proper implementation of the code of ethics in comparison to only 38% of inward oriented units.

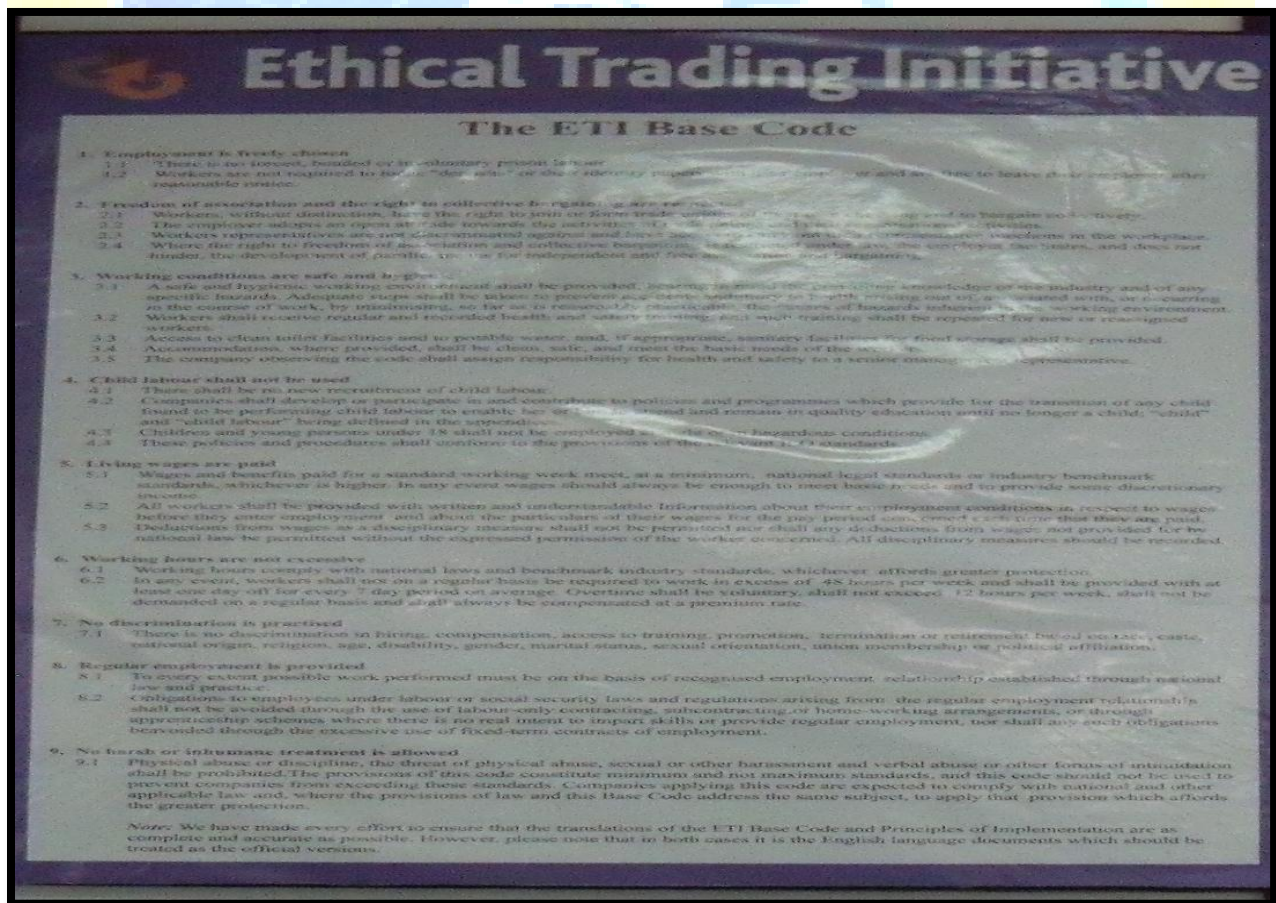


Plate No – 2

Ethical Trading Policy



Plate No – 3

Inspirational Board for Employees

Table 5: Distribution of the respondents on the basis of ethical practices followed *

Sr. no	Ethical practices	Outward oriented (n=35)		Inward oriented (n=45)		Total (n=80)	
		f	%	f	%	f	%
1.	A fair return on investment	11	31	5	11	16	20
2.	Accurate information about the progress of the unit	19	54	10	22	29	36
3.	Charge reasonable price from customer	15	43	12	27	27	34
4.	Abide by the laws of the land	10	28	6	13	16	20
5.	Avoid unfair and unethical practices	22	63	4	9	26	32
6.	Supply clear and accurate information in all contracts, dealing	28	80	24	53	52	65
	Timely payment of suppliers invoices	31	88	27	60	58	72

Record effective feedback of customers, suppliers	20	57	15	33	35	44
Register and resolve complaints from customers	29	83	25	55	54	67
Internal anti corruption code/monitoring system	12	34	5	11	17	21

*Multiple responses

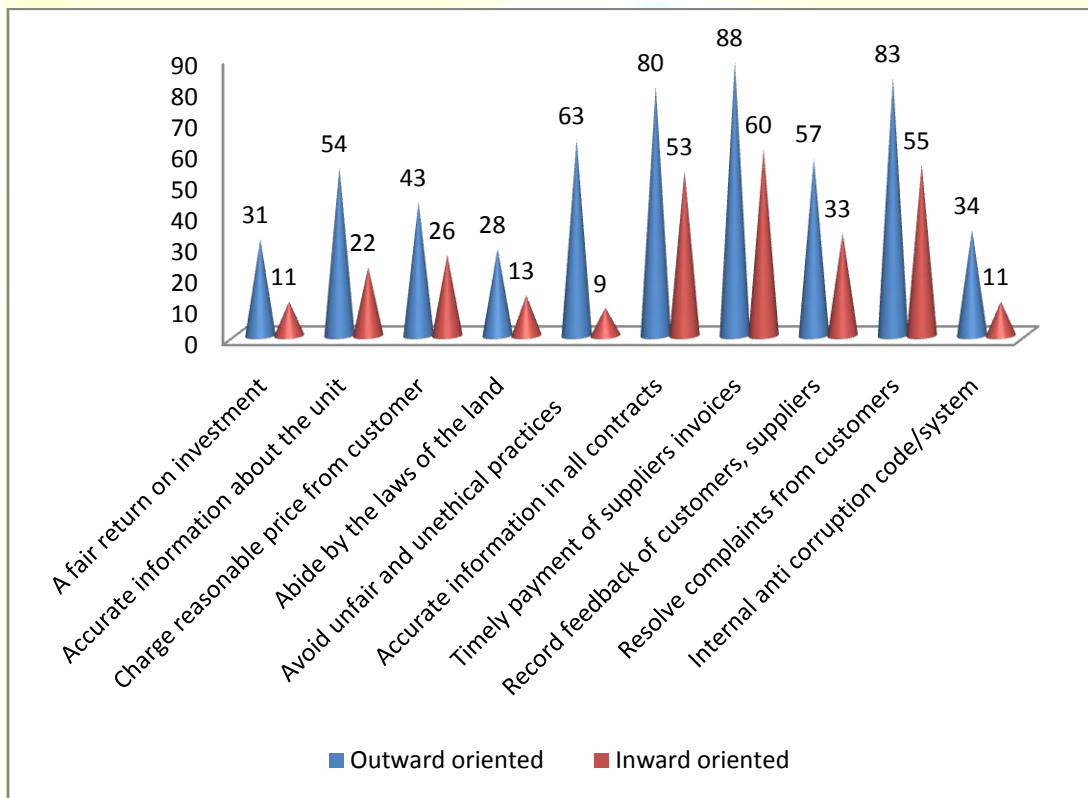


Fig 4: Column diagram showing respondents on the basis of ethical practices followed

Majority of the units in Ludhiana gave timely payment of supplier's invoices, supplied clear and accurate information in all contract, dealings and registered and resolved complaints of customers while only few units believed in getting fair return on their investment and abide by the laws of the land. Outward oriented units more strictly abide by the ethical code of conduct and followed various other ethical practices like recorded effective feedback of customers, avoided unfair and unethical practices, accurate information about the progress of the unit, charging reasonable prices from customers etc in comparison to inward oriented units.

CONCLUSION

It is rightly said that there is one and only one responsibility of a business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition without deception or fraud.

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TERMS

1. **Inward oriented unit:** - Unit which caters to domestic market.
2. **Outward oriented unit:** - Unit which caters to international market.