



# “ECSR” IN TEXTILE INDUSTRIES - WITH SPECIAL REFERENCE TO COIMBATORE

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## ABSTRACT

Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concerns into their business operations and in their interaction with their stakeholders on a voluntary basis. Especially, manufacturing firms (paper) in developing countries such as India the world's 'manufacturing floors' – are under heavy scrutiny from many parties. ECSR is a concept where companies integrate environmental concerns in their business operations and the interaction with stakeholders, without compromising economic performance. Environmental Management Systems (EMS) can be designed to have various degrees of inclusion of all environmental aspects of an organization. In their simplest form, they may be nothing more than a system of organizing and disseminating information surrounding regulatory permits. Such a system may more correctly be called an Environmental Management System and although it's critical to a planning process that you have accurate information, an EMS goes beyond this task, a true EMS includes evaluating and managing all potential environmental ramifications of an organization. Studies exploring this concept were limited within the area of corporate governance with organizational level unit of analysis, while the impact of ECSR initiatives on EMS is lacking. Thus the researcher decided to study on ECSR and EMS with reference to textile industries in Coimbatore.

**Keywords:** CSR (Corporate Social Responsibility) ECSR (Environmental Corporate Social Responsibility, EMS (Environmental Management system).

## 1. INTRODUCTION

ECSR is a concept, where companies integrate environmental concerns in their business operations and the interaction with stakeholders, without compromising economic performance. Environmental CSR activities cause additional expenses for companies and financial benefits of them are not immediately visible and easy measurable. A large number of researches have a goal to investigate connections between environmental CSR activities and their impact. Some results shows that business environment trade-offs have positive impact in companies and environment. Other authors criticize these results because they find that companies do not sacrifice their profit for environment protection on voluntary basis, because there is no positive connection between present expenses and later gains. External stakeholders insist that companies apply the environmental standards in their operation. They are expected to take responsibility for current activities and do not jeopardize the needs of future generations<sup>1</sup>.

CSR environmental activities can trigger innovation; reduce costs, save resources thus making competitive advantage and loyal consumers. Aside from pollution prevention, companies must think about environmental improvements in order to achieve higher resource productivity. Resource productivity means energy savings, labour improvements and efficiency in the use of raw materials as well as control and reduction of waste. If investment in environmental protection actually increases profitability, is it necessary to have regulations? Regulations should be enacted and improved by companies, governments, different organizations and international counterparts<sup>2</sup>.

## 2. STATEMENT OF THE PROBLEM

Environmental sustainability from a CSR perspective involves making responsible choices that will reduce the negative impacts of businesses on the ecological environment. With the growing movement toward ethical consumerism, consumers have become aware of the environmental damage caused by businesses and have expressed their concerns over the negative impacts these businesses have made on the environment. While strong commitment is still rare, there has been an increase in the initiative of brands to improve environmental sustainability in such areas as use of environmentally friendly materials (e.g., organic cotton) and conducting a life cycle analysis on the materials used. Entrepreneurial scandals regarding the wrong implementation of doing socially responsible tasks have provoked the emergence of cooperative initiatives by the stakeholders (entrepreneurs, consumers, politicians, the media) in order to establish a common pattern for social responsibility practices. In modern business conditions are increasingly pointing to the responsibility of the companies that with their activities are involved in social life. None of the company was not conducting its business in an isolated area, already a work of the company became an important part of society as a whole<sup>3</sup>.

In recent years companies have been viewed as major cause of social, environmental and economic problems so as a result of external pressures companies have started to consider their influence

<sup>1</sup> Cramer, J. (2005). *Experiences with structuring corporate social responsibility in Dutch industry*. *Journal of Cleaner Production*, 13(6), 583–592.

<sup>2</sup> Burns, S. (1999). *The natural step: A compass for environmental management systems*. *Corporate Environmental Strategy*, 6(4), 329–342.

<sup>3</sup> *International May Conference on Strategic Management – IMKSM17 May 19 – 21, 2017, Bor, Serbia*

on surroundings and advantages and disadvantages of their actions. Aside from pollution prevention, companies must think about energy savings, labor improvements and efficiency in the use of raw materials as well as control and reduction of waste. Implementation of the environmental CSR depends on different formal, legal and administrative conditions set by governments. The interests of different groups regarding environmental CSR are with significant level of variation. The companies itself, have own interests in implementation of environmental protection activities. They are trying to gain positive public opinion and support of society but achieving those goals will not be possible only by fulfilling legal requirements and avoiding incidents, yet companies should have more proactive approach. Business strategies should consider environmental protection and also investments in CSR and environmental reporting should be above mandatory<sup>4</sup>.

### 3. NEED OF THE STUDY

In recent decades there has been increasing attention to the social and environmental impacts of business. Stakeholders are ever more concerned and responsible about environmental and social issues and linked to this. In order to establish a long-lasting relationship with their stakeholders in general and customers in particular, companies need to consider and manage their increasing awareness and concerns, aligning business activities accordingly. Traditionally, companies have one responsibility: to make a profit. But the concept of corporate social responsibility holds that companies should be responsible for more than just their owners<sup>5</sup>.

Corporate social responsibility consists of several dimensions which have an impact on the activities of some companies. For these reasons, companies must strive to improve their CSR through appropriate actions regarding social, environmental and economic sustainability and through the avoidance of “corporate social irresponsibility” (CSI). On the other hand, in order to achieve benefits for the company (such as customer loyalty, company reputation - creating and maintaining a positive opinion on the company, and creating a better working environment), companies must continuously be dedicated to activities that contributing to this benefit. This was one of the reasons why companies have begun to report to stakeholders about their commitment to CSR activities through reports, published on websites and other CSR communication activities. People want to work for companies that are responsible, according citizens in their communities. Employees that have a favorable view of an organization's CSR tend to have positive views about the organization in other areas, such as senior management's integrity, senior management's leadership and the organization's competitiveness in the marketplace. Firms are under increasing pressure to pursue socially responsible behavior from a variety of stakeholder groups. According to academic and practical researchers, several factors affect the strategic application of CSR, such as alignment with business and corporate culture as well as with social needs and sincerity<sup>6</sup>.

<sup>4</sup> Epstein, M., Buhovac, A., & Yuthas, K. (2010). *Implementing sustainability: The role of leadership and organizational culture*, 91, 41–47.

<sup>5</sup> Deming, W. (1986). *Out of the crisis*. MIT press: Cambridge.

<sup>6</sup> Brewer, J. D. (2004). *Ethnography*. In C. Cassell & G. Symon (Eds.), *Essential guide to qualitative methods in organizational research* (pp. 312–322).

#### 4. REVIEW OF LITERATURE

**Graafland, J., Smid, H.(2017)** Reconsidering the relevance of social license pressure and government regulation for environmental performance of European SMEs, Whereas social license pressure is held as a strong motive for the corporate social performance (CSP) of large enterprises, it is argued in literature that it will not sufficiently motivate small and medium-sized enterprises (SMEs). In this view, government regulation is the most effective way to improve the environmental performance of SMEs<sup>7</sup>.

**Searcy, C., Dixon, S.M., Neumann, W.P.(2015)**, The use of work environment performance indicators in corporate social responsibility reporting Work environment issues refer to all aspects of the design and management of the work system that affect employees' interactions with the workplace<sup>8</sup>.

**Cho, C.H., Patten, D.M. (2013)**, Green accounting: Reflections from a CSR and environmental disclosure perspective, The textile questions Thornton's narrow focus on environmental accounting as it relates to the debits and credits of financial reporting, and it attempts to illustrate the problems that voluntary environmental disclosure creates with respect to reduced incentives for companies to improve environmental performance<sup>9</sup>.

**Bonte.W,Dienes, C.(2013)**, Environmental Innovations and Strategies for the Development of New Production Technologies: Empirical Evidence from Europe This study empirically investigates whether firms' improvements in energy and material efficiency are related to the extent to which external partners are involved in the development of process innovations, covering 14 European countries<sup>10</sup>.

**Flammer C. (2013)**, Corporate Social Responsibility and Shareholder Reaction: The Environmental Awareness of Investors, This study examines whether shareholders are sensitive to corporations' environmental footprint<sup>11</sup>.

**Babiak.K., Trendafilova, S.(2011)** CSR and Environmental Responsibility: Motives and Pressures to Adopt Green Management Practices, This textile examines the diffusion of environmental management initiatives in business and the motives and pressures reported by senior executives to adopt these practices in one industry<sup>12</sup>.

**Jindrichovska, I., Purcarea, I.(2011)**, CSR and Environmental Reporting in the Czech Republic and Romania: Country Comparison of Rules and Practices, The article analyses the short tradition of Corporate Social Responsibility reporting in both countries and the current state of development, as well as its future perspectives<sup>13</sup>.

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<sup>7</sup> Graafland, J., Smid, H. (2017). Reconsidering the relevance of social license pressure and government regulation for environmental performance of European SMEs. *Journal of Cleaner Production*, 141, 967-977

<sup>8</sup> Searcy, C., Dixon, S., Neumann, W. (2015). The use of work environment performance indicators in corporate social responsibility reporting. *Journal of Cleaner Production*, 115

<sup>9</sup> Cho, C., Patten, D. (2013). Green accounting: Reflections from a CSR and environmental disclosure perspective. *Critical Perspectives on Accounting*, 24, 443-447.

<sup>10</sup> Bonte, W., Dienes, C. (2013). Environmental Innovations and Strategies for the Development of New Production Technologies. *Empirical Evidence from Europe*, 22, 501-516.

<sup>11</sup> Flammer, C. (2013). Corporate Social Responsibility and Shareholder Reaction: The Environmental Awareness of Investors. *Academy of Management Journal*, 56(3), 758-781.

<sup>12</sup> Babiak, K., Trendafilova, S. (2011). CSR and Environmental Responsibility: Motives and Pressures to Adopt Green Management Practices. *Corporate Social Responsibility and Environmental Management*, 18, 11-24.

<sup>13</sup> Jindrichovska, I., Purcarea, I. (2011). CSR and Environmental Reporting in the Czech Republic and Romania. *Country Comparison of Rules and Practices*, 10(2), 202-227.

## 5. OBJECTIVES OF THE STUDY

- To study the holistic view of ECSR activities adopted by selected industries.
- To study the relationship among ECSR towards primary stake holders – employer, employees, customer and supplier and local community.
- To make an analysis on ECSR towards environmental protection in the textile industries of the study area.

## 6. METHODOLOGY

This study will be conducted within the campus of textile industries found in Coimbatore. Among the stakeholders in the industries, sample respondents are to be selected based on the Stratified sampling method.

**Sampling:** Sample size - 75 respondents, Sampling Method - Stratified sampling method, Sample Plan - Interview, Questionnaire, Sample Unit - Respondents in textile industries of Coimbatore (5).

**Table 1**  
**Distribution of sample size**

Sl.no	Respondents (stakeholders)	Sample units					
		Sri Ramakrishna mills [S1]	Lakshmi Mills [S2]	Chandra Textile limited [S3]	Eurokone Textile industries [S4]	Super spinning mills Ltd [S5]	
1	Employer	5	5	5	5	5	
2	Employee	5	5	5	5	5	
3	Customer	5	5	5	5	5	
4	Supplier	5	5	5	5	5	
5	Local community	5	5	5	5	5	
<b>Total</b>		<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>125</b>

**Source: Primary Data**

## 7. FRAMED HYPOTHESIS

**H<sub>01</sub>:** There is no significant relationship between the ECSR and primary stakeholders in the study area

**H<sub>02</sub>:** There is no significance relationship between ECSR in the environmental protection of the sample units

## 8. LIMITATIONS OF THE STUDY

- Sample selection was very difficult because the sample units were limited and the response rate was very low.
- Information collection turned out to be tedious since respondents responded only after regular follow-ups and frequent reminders.
- Since it was not possible to administer to all manufacturing sectors in the study area, the survey was limited to textile industry only.
- Time and money factors have been constraints and the research exercise was conducted within a limited time.



## 9. ANALYSIS OF DATA

**Table 2**  
**Distribution on factor analysis of ECSR indicators with sample units**

Sl.no	Sample units	S1	S2	S3	S4	S5
	Indicators					
1	E1	0.792	0.616	0.523	0.775	0.600
2	E2	0.791	0.578	0.732	0.759	0.529
3	E3	0.791	0.519	0.798	0.762	0.452
4	E4	0.425	0.639	0.719	0.792	0.516
5	E5	0.695	0.602	0.541	0.791	0.578
6	E6	0.653	0.666	0.666	0.691	0.919
7	E7	0.619	0.625	0.665	0.825	0.539
8	E8	0.637	0.686	0.609	0.895	0.502
9	E9	0.762	0.670	0.764	0.853	0.466
10	E10	0.766	0.417	0.771	0.819	0.425
11	E11	0.725	0.501	0.702	0.737	0.386
12	E12	0.425	0.665	0.816	0.655	0.484
13	E13	0.425	0.673	0.841	0.674	0.451
14	E14	0.558	0.658	0.770	0.623	0.382
15	E15	0.594	0.678	0.709	0.621	0.471
16	E16	0.558	0.594	0.830	0.673	0.447
17	E17	0.509	0.530	0.873	0.665	0.450
18	E18	0.588	0.546	0.879	0.645	0.450
19	E19	0.583	0.512	0.864	0.647	0.471
20	E20	0.465	0.627	0.865	0.766	0.483
	<b>h<sup>2</sup></b>	<b>0.703</b>	<b>0.675</b>	<b>0.742</b>	<b>0.797</b>	<b>0.568</b>
	Percentage of variation	12.891	9.154	13.358	14.598	8.181
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalisation, A Rotation converged in 5 iterations						

Source: Computed Data

**Table 3**  
**Distribution on ECSR dimensions – Likert scaling**

Sl.no	Particulars	HE	E	ME	LE	VLE	M.S	M.R
1	D1	103	98	59	20	1	2.80	9
2	D2	205	122	5	3	1	3.35	1
3	D3	103	170	24	4	2	3.01	5
4	D4	117	97	61	9	2	2.84	7
5	D5	192	138	4	1	1	3.35	1
6	D6	143	98	51	6	2	2.98	6
7	D7	171	103	30	6	2	3.10	4
8	D8	116	112	41	12	4	2.81	8
9	D9	95	124	40	17	3	2.76	10
10	D 10	91	102	68	13	2	2.74	11
11	D 11	191	106	28	1	1	3.26	3

Source: Computed Data

**Table 4**  
**Distribution on Overall result of ANOVA test**

Sl.no	Particulars	F-Value	P-Value	Result
1	Employer	5.578	0.004	Significant
2	Employee	2.733	0.001	Significant
3	Customer	1.690	0.016	Significant
4	Supplier	1.735	0.020	Significant
5	Local community	4.660	0.000	Significant
6	ECSR indicator	F-Values for each variable		Significant
7	ECSR dimensions			Significant

Source: Computed Data

**Table 5**  
**Distribution on Overall result of Chi-square Test (stakeholders)**

Sl.no	Particulars	Sig.Lev	Cal value	D.f	p.val	Result
1	Employer and ECSR	@ 5%	27.538	3	.001	Significant
2	Employee and ECSR		27.654	1	.000	
3	Customer and ECSR		27.087	4	.011	
4	Supplier and ECSR		10.517	3	.022	
5	Local community and ECSR		18.236	1	.000	

Source: Computed Data

## 10. FINDINGS OF THE STUDY

**10.1 ECSR indicators: (Factor analysis):** The component factor loading; the component identified for loading is ECSR indicators [E1 to E20] E1: Company's statement of a corporate commitment to environmental protection, E2: Any mention of environmental regulation, E3: Involvement of environmental experts in business operations, E4: Environmental audit, E5: Environmental awards, E6: Incorporation of environmental concerns into business decisions e.g. green purchasing, E7: Identification of a contact person providing information, E8: Energy usage information, E9: Encouragement of renewable energy consumption, E10: Water usage information, E11: Information concerning the materials that are recycled or reused, E12: Any mention of strategy for the use of recycled products, E13: Information about the source, type and remedy procedures of emissions, E14: Pollution impacts of transportation equipment used for logistical purposes, E15: Environmental impacts of principal products and services, E16: Discussion of the amount and type of wastes and mention of waste management, E17: Any mention of environmental accounting policies, E18: Environmental expenditures, E19: Fines, Lawsuits, or non-compliance incidents and E20: Environmental contingent liabilities. The factor for loading with the component is sample units[S], 5 iterations are allowed for this factor to load with the component, for the purpose of loading the iterations are named as S1 to S5 (sample units). All the 5 sample units showed positive loading with the component, therefore it can be concluded that there is positive loading at 0.01 and 0.05 level of significance for the factors and the highest loaded iteration is S4(ASR textile industries) with  $h^2$ : 0.797.

**10.2 ECSR dimensions: (Likert scaling):** 5-Highly effective (HE), 4-Effective (E), 3-Moderately effective (ME), 2-Less effective (LE) and 1-Very less effective (VLE)

ECSR dimensions, Out of 11 variables identified D1: Recycling of pollutants or waste, D2: Disposal of waste, D3: Treatment of smoke or ash, D4: Installation of equipment to protect environment, D5:

Environmental audit, D6: Tree plantation, D7: Natural resource management, D8: Integrated watershed development, D9: Rain water harvesting, D 10: Reclaiming of waste land and D 11: Environmental awareness program, it was found that D2 and D5 had the highest score [3.35] and was ranked first.

**10.3 ANOVA test:** For the hypothesis framed for ANOVA test, it was found that every variable had significant relationship, i.e. Age, Marital status, Educational qualification, Occupation, Organisation, Work experience, Monthly income, Locality within the variables

**10.4 Chi-square:** with regard to the chi-square test at 5% and 1% level of significance, it is found that the p-value is less than 0.05 thus it is concluded that each variable had significant relationship, that is the null hypothesis was rejected.

**10.5 Major findings:** It was found that all the stakeholders have positive relationship in ECSR for the environmental protection and sustainability, the other finding is that out of the 5 sample unit it was found that S4 that is ASR textile industry has a well-defined policy for ECSR and follow up is also comparatively good.

## 11. SUGGESTIONS AND RECOMMENDATIONS

The findings have important implications for stakeholders. The results suggest that stakeholders should focus on environmental practices and particularly environmental protection to improve environmental sustainability. Such strategic use of ECSR could create competitive advantages. Specifically, this research provides a clear understanding of the ECSR issues and their effects on environmental protection within textile industries. Therefore, our findings would be useful to stakeholders in Coimbatore in selecting the right practices to achieve the desired results. These findings could also be used to guide future studies on other areas.

## 12. CONCLUSION

Corporate Social Responsibility (CSR) is increasingly becoming a topic of interest among academicians and industrial experts, where it is accepted as a potentially valuable approach to building long term relationship with both internal and external stakeholders of the business entity. In this Pyramid, a corporation has four types of responsibilities, where the bedrock or foundation is the economic responsibility to be profitable. The second is the legal responsibility to obey the law set forth by society. The third, which is closely linked to the second, is the ethical responsibility. The fourth is philanthropic responsibility best describe by the resources contributed by corporations toward social, educational, recreational and cultural purposes<sup>14</sup>.

CSR has long been a controversial topic in discussions about business firms, and corporate – and capital – from maximizing shareholder value. Thus, to legitimize the field, empirical research has mainly concentrated on testing the relationship between ECSR and firm environmental protection; results demonstrate a positive link. To add to the research stream and to extend the findings beyond pure financial measurements, this study explored the relationship between ECSR and stakeholder satisfaction.

<sup>14</sup> Wood D. (1991) *Social Issues in Management: Theory and Research in Corporate Social Performance Journal of Management* 17(2), 383-406



The findings are provocative and suggest that; overall, ECSR is linked to both dimensions and indicators. However, extended analysis revealed that individual dimensions of CSR might be more important than others. One explanation for the finding might be that firms who demonstrate compliance with the law or offer outstanding care for employees or communities may be in the best position to diminish stakeholder loss. On the other hand, economic, legal, and discretionary indicators of CSR were positively associated with sample units<sup>15</sup>.

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<sup>15</sup> Tsai S. (2009) *Modeling Strategic Management for Cause-Related Marketing Marketing Intelligence & Planning* 27 (5), 649-65