

Social Responsibility Accounting in the Textile Sector of India

by

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CHAPTER 1: INTRODUCTION

The entire overview of this study is highlighted in this chapter. This study is performed to obtain an insight regarding social responsibility accounting, particularly with respect to the textile sector of India. This chapter is divided into background of this research, problem statement, rationale of the research and aims and objectives of the study. In addition to this, the research questions, the suggested methodology for this study, and structure of the entire research is also discussed in this chapter.

Background of the Research

Due to the recent trends of the business and the current business environment, stakeholders and organizations have adopted social responsibility accounting (Kolk and Perego, 2010). This is due to the fact that in order to sustain in the long term market, the economic and competitive advantage is not the only requirement for them to compete in the market. Strategies of sustainability, such as social responsibility accounting has been adopted in the textile sector, due to modern industrialization and globalization. Unlike other strategies of sustainability, social responsibility accounting has numerous benefits and has the capability for embracing various aspects of sustainability.

Owing to failure of governance leading to financial scandals, a number of regulatory action relating to social responsibility accounting have been highlighted in recent years (Kolk and Perego, 2010). Social responsibility accounting is applicable to different industries, such as manufacturing, textile, supply chains and automobiles. A number of researches have been conducted by practitioners and researchers to obtain solutions to issues of workability and social

responsibility accounting in the textile sector that involves maintaining a balance between the demand of work and resources of workers.

Furthermore, social responsibility strategy is considered effective as compared to other strategies of sustainability to resolve issues of workability and society (Kolk and Perego, 2010). Although, social accounting responsibility have been implemented successfully in developed countries; however, in developing countries, particularly India, this strategy has not been so successful.

Problem Statement

The textile sector is one of the oldest sector that has grown over the year, and currently it is considered as the largest sector worldwide. Following the industrial revolution, the textile sector have encountered numerous social and environmental issues and have been considered as the major contributor to ecological issues, due to increase in consumption, off-shore production and low-cost clothing (Hopwood, Unerman and Fries, 2010). In addition to this, consumption, disposal and waste from the textile has went up at an increasing rate, as a result of professed unfashionableness by customers.

Furthermore, to avoid the cost of labor and compliance with environmental regulations, numerous developed countries have switched to off-shore production, leading to the transfer of social and environmental issues to developing countries (Hopwood, Unerman and Fries, 2010). Social issues comprises of child labor, violation of the rights of labor and issues concerning safety and health. On the contrary, environmental issues are associated with increased use of non-renewable resources and usage of toxic chemicals.

Moreover, the effects of social accounting responsibility and its disclosure have been criticized, particularly with respect to the structure of textile sector and social accounting

responsibility. In case of interest of shareholders and interest of the society, a company will always prefer to maintain the interest of shareholders.

The definition of social accounting responsibility is not clearly defined. Although this strategy assists in expressing the values, mission and objectives of the organization; however, since social responsibility accounting follows a complex structure, its performance and governance are still problematic.

Rationale of the Research

India has one of the largest textile sector in the world, as it is rich in raw materials, which includes wool, cotton, silk and skilled labor. The textile sector of India constitutes 8% and 24% of the global spindle capacity and rotor capacity respectively (www.sci-int.com). According to Techno Pak Advisors, it is expected that by 2021, the textile sector of India will reach \$223 billion. In addition to this, the textile sector has contributed greatly to the economy of India, through net overseas earnings and generating employment. Moreover, the textile sector of India adds 27% of overseas inflows from exchange, 4% of GDP and 14% of industrialized production, providing employment to estimated number of 45 million individuals (www.sci-int.com).

However, most of the studies with respect to social accounting responsibility have been conducted with focus on developed nations. Thus, there is an increased for researches to be conducted on the perspective of social accounting responsibility and the issues faced in developing countries, particularly India (www.sci-int.com). In addition, studies regarding social accounting responsibility in relation with developing nations are not so comprehensive.

Aims and Objectives of the Research

Due to recent changes in the trend of the business, particularly in the textile sector, this study aims to accomplish a detailed study to comprehend social responsibility accounting, particularly in the textile sector of India. The objectives of this study consists of the following;

- To recognize the significance of social accounting responsibility in the context of the textile sector of India.
- To determine the consistency of practices and strategies in the textile sector of India with shared social principles.
- To identify the present practice in the textile sector of India with respect to social responsibility accounting.

Research Questions

Q1: What is the significance of social accounting responsibility in the textile sector of India?

Q2: Is the textile sector of India consistent with practices and strategies of social principles?

Q3: What is the current practise of India's textile sector with respect to social accounting responsibility?

Q4: What are the ways to improve social responsibility accounting in India's textile sector?

Proposed Methodology

The method of research that will be implemented in this study includes qualitative research method and quantitative research method. For collection of qualitative data, the primary and secondary method will be adopted. Primary data will be retrieved through interviews from a

sample of 15 employees of different companies operating in the textile sector. In addition to this, various sources, such as websites, books, research articles and online database will be utilised for collecting secondary data. Conversely, survey questionnaires will be used for collecting quantitative data, using a sample of 30 employees from different companies in the textile sector.

Structure of the Research

There are five chapters that will be incorporated to complete this study. The first chapter of this research forms the basis of the entire study and is divided into background of this research, problem statement, rationale of the research and aims and objectives of the study. Moreover, the research questions and the suggested methodology is also discussed in the first chapter.

The second chapter, which is the literature reviews, will discuss past literature and researches that have been conducted regarding social responsibility accounting in India. Different sources, especially the internet, books and published articles will be used to research on previous literature and gather the required information for obtaining answers to the research questions.

The third chapter of this study will specify the design of the research, the method that will be used for collecting data, the techniques for sampling and the technique, which will be implemented for analysing the data.

The fourth chapter of this study will discuss the results, which will be gathered through the method of research. In this study, qualitative research method will be used.

The fifth chapter of this study provides a summary of the entire research, by delivering conclusions and recommendations with respect to the research that will be conducted.

CHAPTER 2: LITERATURE REVIEW

Introduction

This section highlights the past theories and literature of various theorists in terms of social accounting responsibility. Social accounting responsibility is important for companies operating in particular sector because it relates to performance and success. A significant amount of research has been conducted with respect to social accounting responsibility.

Overview of the Textile Sector of India

India is one of the world's largest textile manufacturers. Due to ample availability of raw materials like Cotton, jute, silk and wool, and trained manpower, it has made India a supply center. IT is the second largest manufacturer of textiles and clothing globally. The textile industry of India constitutes 8% and about 24% of worldwide capacity of the rotor and global capacity of the spindle respectively (www.sci-int.com). According to Techno Pak Advisors, by 2021, the textile and clothing industry of India is expected to reach \$223 billion. With regard to overseas production earnings and indirect employment, the textile sector of India has made the major contribution to economy of India.

Moreover, the textile sector of India contributes 4% to the gross domestic product, 14% to industrialized production and 27% to the country's inflows from overseas exchange (www.sci-int.com). In addition to this, around 45 million people gain direct employment from this sector. After the agriculture sector, the textile sector of India is the highest contributor to employment in India.

Theoretical Perspective of Social Accounting Responsibility

The Social Accounting Responsibility has been a subject of concern for various theorists who have attempted to devise a definite definition for this phenomena, nonetheless, the most precise description as provided by the Commission of the European Communities attributes this process as the responsibility of organizations that require them to surpass their basic duties and go beyond their performance (Schaltegger, Lüdeke-Freund and Hansen, 2012). This implies that the procedure of Social Accounting Responsibility puts organizations under the implication of expanding their horizons of functionality and working ahead of their tasks that are deemed upon them by the legal and economic demands of the business. Moreover, this responsibility of organizations require them to pay heed to further areas of a business that revolves around the multi-dimensional aspects of the market (Schaltegger et al., 2012). However, it is essential to acknowledge that the underlying areas of concern that encompasses the Social Accounting Responsibility are the social and environmental features that render their influences on the firm's performance. Within this context, the social factor of the organization spreads throughout a larger field where it does not only involve policy paradigms, but also incorporates the different levels of society that play prominent roles in establishing a society. On the other hand, the environmental factor is concerned about the prospects of external environment that are believed to inflict consequences on the organization's performance (Schaltegger et al., 2012). Thus, this responsibility forms a triple bottom line approach for the organizations with respect to its association with the social, environmental, and economic features of the market.

To further comprehend the functionalities of Social Accounting Responsibility, it is imperative to explore the origins of this phenomena which dates back to the year 1930 when the earliest of its ideologies were presented. With the passage of time, as the organizational

principles started to shift, the concepts of social accounting also modified and are still under the process of constant progression (Schaltegger et al., 2012). The changing nature of this responsibility enables researchers to utilize this procedure into different areas of work field that concern the varying sectors of industries. Textile industry is among one such area of interest that effectively indulges the implications of this responsibility. Therefore, in light of its increased effectiveness, it is essential to analyze the extent of influences that this phenomena renders on the organizations. However, a further specialized area of this study expresses the idea that this accounting responsibility cannot be held under complete liability due to the complications in its application (Schaltegger et al., 2012). This inability is thus attributed to the contradicting dimensions that are present within this exercise which then poses difficulties to researchers in evaluating the true essence of this responsibility.

In order to cater to the difficulties that arise within the procedure of understanding and practicing the responsibility, it is imperative to establish a structural framework that can help organizations to gain optimum outcome from the implications of Social Accounting Responsibility (Crane and Matten, 2016). With respect to this framework, the foremost step for the organizations is to identify the potential challenges that may incur during the application of this responsibility. One of the most prominent approach to this step is the use of a resource-based view theory that helps to evaluate the obstacles that come along social accounting. Through this orientation, a commendable progress may be achieved, however, a more emphasis is put on resolving the internal conflictions that pertains within the basic ideology of this phenomena (Crane and Matten, 2016). For this purpose, a suggested mode of approach is to formulate a systematic set of methodology that may prove helpful in taming the different contradicting internal features.

To serve this requirement, numerous approaches are present that guarantees successful impacts, however, one of the most prominent approach that holds strong empirical support is the multi-criteria decision-making (MCDM) model that has been proven to implicate substantial positive attributes on the understanding of Social Accounting Responsibility, in terms of the contradictions that exist within the phenomena (Crane and Matten, 2016). These influences can be further put into a clearer light by overviewing the past researches, according to which, the MCDM model is regarded as one of the most influential mode of decision-making that allows organizations to develop decisions and plans that are best suited to the circumstances of the firm. Furthermore, this model is believed to exhibit maximum performance in case of assessing the different aspects of accounting responsibility and the impacts of contradictory factors in relation to social and environmental areas. Nonetheless, the incorporation of this model presents the view that there is no need to formulate certain specific steps and further follow them in an order, when dealing with the managerial decision-making requirements of an organization (Crane and Matten, 2016). This model therefore follows a pattern that expresses the concept of subjectivity and implies the fact that every set of procedure continues automatically as per the nature of its application, and thus designs its own route accordingly.

In view of these significances that MCDM model renders on the smooth functioning of Social Accounting Responsibility, it is apt to utilize this methodology within this study that aims to assess the complexities which emerge during the application of this responsibility in the context of Indian textile industries. It is however essential to point out that as a consequence of conflicting features of social accounting, the basic nature of Indian population's attitude towards different market sectors is subjected as a direct victim and thus comes under an immediate influence. This concept is further uplifted due to the different studies carried out, which implies

that the Indian textile industries are still under the negative influences that come with the complexities of active application of social accounting responsibility.

Social Accounting Responsibility in the Textile Sector

Different researchers were focused on identifying new approaches and strategies, with the beginning of social accountability responsibility to be raised in the sector of textile industry. This resulted in broad range of research articles and studies that examined different developing and developed nations throughout the world. Tseng et al. (2013) conducted a study in which researcher examined the development, achievement and challenges that are witnessed by textile and apparel industry related to social accounting responsibility.

Moreover, a study conducted by Cooke and He (2010) linked the social accounting responsibility and human resource management in textile and apparel industry. This study utilized the perceptions of the managers related to these two particular terms. Furthermore, another study conducted by Pedersen et al. (2013) explored the institutional pressures of social accounting responsibility with the integration of Nordic Fashion industry. This study articulated the notion that the pressures are not specified with the nations but are related to the difference among different groups of stakeholders.

A study conducted by Gupta and Hodges (2012) explored the perception of the customers related to social accounting responsibility in the textile industry of India. This study utilized the approach of in-depth interviews. This study signifies the importance of social accounting responsibility in the process of decision making in the textile industry.

A study conducted by Kozar and Connell (2013) explored the association between environmental and social responsibility through analyzing the data that was gathered through using online questionnaires. This study examined the consumer behavior, knowledge and attitude

in the industries related to textile and apparel sector. Ha-Brookshire and Norum (2011) in a research study explored different factors that effects the willingness that is demonstrate by the consumers for paying the premium prices for those products that are social responsible including organic cotton, cotton shirts and sustainable cotton. In this research study data was gathered from five hundred respondents.

Another research study executed by Dickson and Eckman (2006) investigated social accounting responsibility that involves the diverse range of perspectives from the members and scholar associated with the International Textile and Apparel Associations (ITAA). A research study conducted by Perry and Towers (2009) explored the backgrounds of social accounting responsibility with the integration of small and medium scale organizations related to fashion textile manufacturing industry.

The social accounting responsibility is a much-debated issue between business and educational literature, as there is still a struggle to come to reach an agreement on a clear explanation (Lee-Davies, 2005). The discussion on social accounting responsibility addresses many concepts such as sustainability, sustainable enterprise, corporate citizenship, business and culture (Van Marrewijk, 2002). Howard Bowen was the first person to use the concept of social accounting responsibility and this concept emerged in the literature in the 1950s (Hustvedt and Dickson, 2009).

A classic view of social accounting responsibility is Freemans' (1984) strategy, which shapes that organizations are not only accountable for shareholders but also for different stakeholders to accomplish the objectives of the organization. Stakeholders may comprise organizations for labor law, conservational groups, nonprofit organizations, municipal societies, trade unions, trade associations, consumers, academics, owners and managers and employees.

Descriptions of social accounting responsibility, in an effort to be useful to all types of organizations, resulting in ambiguous information open to explanation. Van Marrewijk (2002) remarks on the ambiguity of the current social accounting responsibility which hampers its application. For the textile industry, social accounting responsibility is not only a fresh perception but also comparatively a new idea (Dickson et al., 2009).

Without a single definition, Dickson and Eckman (2006) gathered opinions of 74 professors and postgraduate students to create a sense of social responsibility for the textile sector. (Dickson, Loker and Eckman, 2009) discovered that due to the absence of clarity of definition in the entire sector, it is unclear if social responsibility comprises the environment or not. For the textile sector, they have determined the inclusion of environment as a branch of social accounting responsibility, and the goal is to ensure equilibrium between profitability and business ethics, by producing products that provides less harm to the environment and minimize injuries to humans (Dickson and Eckman, 2006). This vision has been supported by Business for Social Responsibility (BSR), an organization that works within the textile sector with the objective to assist businesses by making them responsible and accountable to the society. According to BSR, it is essential for companies operating in the textile sector to cooperate and coordinate with each, in order to accomplish social accounting responsibility.

Companies should seek to accomplish success in a manner that values and principles of people are respected, while the environment and community is taken into consideration. This should be established by determining agendas, activities and practices, which is included in the entire production cycle from operations till supply chain. (Business for Social responsibilities, 2012).

Conventional prospects of business comprises of companies, whose financial success is dependent upon its financial considerations. A common method is based on the fact that the producer is in charge of producing a market that can be sold in the market, usually at a fixed price to meet the expectations of the market. Although concerns relating with social or environmental issues are minor; however, stakeholders has examined their business practices effectively, after becoming conscious of various concerns, for example the use of pesticides, the rights of workers and the influence of environment and fashion in developing economies (Goworek, 2011).

Some stakeholders have concerns regarding the activities of certain companies, as social cost is borne by the society due to their activities (Sutantoputra, 2009). The products of various brands are closely analyzed by non-profit organizations to ensure the compliance of these companies to the applicable rules and regulations with respect to their concerned jurisdiction.

CHAPTER 3: METHODOLOGY

Introduction

The third chapter of this study offers an outline with respect to the method of research, the design of the research, and the approach being used. In addition to this, the instrument being utilized by the research for the purpose of collecting and analyzing data is also discussed in this chapter. Moreover, in this section, information with respect to ethical concerns is also being reflected.

The purpose of this section is to confer on the method of this research that will be used by the researcher for this study. For conducting this study and accomplishing its key purpose, the research will use primary qualitative and secondary research method. In addition, the main beliefs and approaches, based on which the research will be performed, is also highlighted in this chapter.

Research Design

This study will be performed through usage of both qualitative and quantitative methods for collecting data. Unlike quantitative method, qualitative method has the benefit of taking explanations into consideration, which are obtained from participants of the concerned study. For collecting qualitative data, the researcher will conduct interviews, while research, books, published articles and online database will be used for the purpose of secondary data.

Conversely, for collecting quantitative method, survey questionnaire will be used. The results obtained from the sample will be assumed to provide a reflection of the entire population, from which the data will be collected.

Data Collection

For the purpose of collecting qualitative data, the researcher will adopt both primary and secondary data. The primary method will involve interviews being conducted by the researcher, with the objective of performing accurate analysis of data. This will be achieved through selection of 15 employees from different companies operating in the textile sector.

Conversely, in order to gather quantitative data, the researcher will use survey questionnaires, by selection of 30 employees from different companies in the textile sector, who will be chosen randomly.

Furthermore, the researcher will also use other sources from collecting information, which include websites, books, online databases, as well as published articles.

Reason for Selecting Qualitative and Quantitative Data

Quantitative method of research will be used by the researcher, as it allows the researcher to obtain insights and comprehend the subject matter through analyzing data gathered from the participants.

Oppositely, to evaluate the qualitative aspect of the study, qualitative method of research will also be implemented by the researcher. Since, it is not possible to perform a comprehensive analysis with only quantitative data, the researcher will use interviews to gather qualitative data.

Technique for Sampling

Data will be collected using a probability sampling methods. Non-probability sampling techniques allow the researcher to judge and allows the researcher to collect data in less time and lower cost in contrast probability sample. The method of sampling that will selected for this study will be a convenience sample selection, as this method of sampling allows the researcher to obtain information from respondents that are readily available. The reason for using convenience

sampling methods is the choice for people to study that are available. This type of method is best suited for the time and budget constraints.

For this research, the researcher will adopt two different methods for collecting data, which comprises of interviews and survey questionnaires. In order to conduct interviews, 15 employees from different companies of the textile sector will be selected randomly. On the other hand, for survey questionnaires, the research will choose 30 employees from different companies that belong to the textile sector.

Analysis of Data

In this research, since the researcher will conduct interviews for the purpose of collecting qualitative data, thematic analysis will be used by the researcher for analysing the data being collected. Thematic analysis is useful for analysing, reporting and identifying various themes within the data, so that the data is defined and organized in much detail. Unlike a linear procedure, this method is effective and is considered as a recursive technique.

Ethical Consideration

Ethical considerations are considered important and are given attention, as it allows the significance of the research to be boosted. To ensure that the research is ethical, it is important for the research to obtain the consent of selected participants before collecting data. Furthermore, even after the completion of the study, from ethical point of view, it is the responsibility of the research to conserve the confidentiality of the research.

Limitations of the Research

As in other research, this study has some limitations. As the data gathered from this study will be acquired from employees of various companies operating in the textile sector, the research may come across research difficulties due to their accessibility. In addition to this, the

sample of employees chosen for the study answering the questionnaires due to their dense routine. Accordingly, the time limit for completing an inquiry can be extended. Besides, the people selected for the sample hesitate to answer the questions during the interview, due to which, the data available for the research will be restricted. In addition to this, although the research budget has been prepared, the actual cost may exceed the budgeted cost due to unusual circumstances.

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