

Growth of a Local Village and Global Business of a Corporate firm: An Analysis of the Corporate Social Responsibility of Kitex Garments Limited in Kizhakkambalam Gram Panchayat, Kerala.

Sonu Surendran¹

Abstract

The CSR initiative of Kitex Garments Limited (a 100 percent export-oriented company engaged in the production of Kids garments under the age of 24 months) – registered as a charitable trust named ‘Twenty20 Kizhakkambalam Association’ was initiated in 2012. Guided with the principle of the late founder of the group “the village should grow along with our business” the charity outfit is aimed with the mission “to make Kizhakkambalam the smartest and best-governed village in India by 2020” they even managed to win the 2015 Local Self-Government elections by winning 17 out of 19 seats with a vote share of 79 percent. Spending 38 Crores in 4 years, their activities included addressing issues like corruption, poverty, unemployment, inclusive governance and implementing need-based — tailored welfare programmes in providing basic amenities to uplift the downtrodden population in the village. The paper tries to analyse, 1) How both, a local village and an international business can grow along with each other? 2) what is the secret of the success of this CSR initiative in developing the village compared to government agencies? The working of the movement focusing on the methods and modes of operation since its inception to the present and responses from the people and various stakeholders are analysed based on the data collected during field investigations. From the field investigation, it was observed that: 1) The complex, but people-centred village management system adapted by Twenty20 was successful in assessing the needs of beneficiaries and providing welfare schemes on time. 2) With a comprehensive vision and a combination of Business management and successful monitoring ensured that the services reached the beneficiary.

Keywords: CSR, Local, Global, Corporate

Introduction of Industry to an Agrarian Village

Kizhakkambalam Gram Panchayat, is a rural village with a population of 33,363 and a land area of 31.57 km², in Ernakulam district (the present the industrial capital) of Kerala

¹ Research Scholar, University of Hyderabad, sonusurendran@gmail.com

(Kizhakkambalam Gram Panchayat, 2018). The economy is agrarian where the majority are engaged in agriculture-related activities and have a good number of small scale industries (Kizhakkambalam Gram Panchayat, 2019). Large scale industries in the Panchayat with an annual turnover of 1,200 cores belong to Anna-Kitex group.

The beginning of Anna-Kitex group of companies was in 1986 when late M C Jacob established Anna Aluminium Company with 8 labourers at Kizhakkambalam Gram Panchayat. At present, Anna Aluminium is an ISO 9001-2008 certified company and is a leader in the production of utensils. (Jacob & Jacob, 2012, p. 62). In 2016 the turnover of the group was 1,200 cores and employed 15,000 people; where 2,000 are from the locality and 85 percent of the staff are women from 22 states: is the largest private-sector employer in the state. (Kitex | About Us, n.d.; 'Leaders of Inclusive Entrepreneurship', 2016; Minu Ittyipe, 2015; Rajesh Raveendran, 2018; Roopa Thayabji, 2018; Shaju Philip, 2015). Followed by the established of the aluminium company, in 1975 the group entered textiles business by launching 'KITEX Garments Limited,' and to food processing in 1979 by launching 'Sara Spices' which later became 'Saras'(Anna Group, 2013). 'Kitex Exports Limited' in 1991 - which later became 'Kitex Childrenswear Limited'-, in 1992 Kitex Garments Limited are the five industrial establishments owned by the group located in the Gram Panchayat. All the brands and the products except those being exported have become a household name for the people of Kerala.

Kitex Childrenswear Limited and Kitex Garments Limited are 100 percent export-oriented company engaged in the production of Kids garments under the age of 24 months, globally stands in the second position in the production of kids garments (Kitex | About Us, n.d.; Kitexchildrenswear, n.d.). The later employing 5,000 labourers was one among the Forbes Asia's 200 Best Under A Billion Dollar Company in 2015 (Shobha Warriar, 2015). The turnover shot up from 1.8 Crores in 1995-96 to 559.93 Crores in 2017-18. (About Us, 2017; R Roshan, 2019).

History of CSR Legislation in India

The history of CSR Legislation in India spans a brief period from its first step in 2007 to 2014 when the companies act came to effect. The principles that pushed the Government of India for a Corporate Social Responsibility (CSR) legislation is the 'importance of inclusive growth' focusing on the section of the population excluded from development in the process of economic growth. With this view, the Government took CSR

as “an instrument for integrating social, environmental and human development concerns in the entire value chain of corporate business.” The first official moves for the idea of such a (corporate) responsibility was in 2007 when ‘inclusive growth’ was adapted in the 11th five-year plan. Further in 2009 by the Ministry of Corporate Affairs (MCA) issued ‘Voluntary guidelines on CSR.’ In 2010 the Parliamentary Standing Committee on Finance in its 21st report recommended the disclosing of CSR activities to be made mandatory. In 2011 MCA issued a - nine principle - 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business.' Where the eighth principle: 'inclusive growth and equitable development' became a mandatory provision of CSR in Section 135 of the Companies Act 2013 (Government of India, n.d.). As per section 135, “Every company having a net worth of rupees five hundred crores or more, or turnover of rupees one thousand crores or more or a net profit of rupees five crores or more during any financial year shall constitute a Corporate Social Responsibility Committee.” every such company shall have a CSR policy and have to spend 2 percentage of the profit for the CSR activities, “ the company shall give preference to the local area and areas around it where it operates, for Corporate Social Responsibility activities.” (The Companies Act, 2013, p. 87). As per the Companies act the rules regulating CSR activities: the “Companies (Corporate Social Responsibility Policy) Rules, 2014” came into effect on 01/04/2014 (Companies (CSR) Rules, 2014).

Twenty20 Kizhakkambalam

‘Twenty20 Kizhakkambalam Association,’ registered as a Charitable Society in 2014, under the Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 is the CSR wing of the companies in the Panchayat, as per Section 4 Clause 2 of the CSR Rules 2014 (“The Board of a company may decide to undertake its CSR activities approved by the CSR committee, through a registered trust or a registered society or a company established by the company or its holding or subsidiary or associate company....”) (Companies (Corporate Social Responsibility Policy) Rules, 2014; Twenty20 Kizhakkambalam, 2014). As per the company managing director, the CSR outfit is guided by the principle of his late father and the founder of the group that “the village should grow along with our business” and is engaged in the mission “to make Kizhakkambalam the smartest and best-governed village in India by 2020” (Basheer, 2016). The name of the organization came from the Year 2020 in which they are supposed to achieve the goal, Twenty20 Cricket and a Malayalam Cinema with the same name (Babu, 2015).

Alleging the opposition from the political parties in the developmental activities, Twenty20 decided to contest the 2015 Local Self Government election and emerged winning 17 out of 19 seats with a vote share of 79 percent. The political parties also allege that they took power because of the strong stand taken by them regarding the pollution from the industries (Sethunath, 2015).

1) How both, a local village and an international business can grow along with each other?

Though the Charity Outfit was registered in 2014 the activities started in 2012. (Cleaner to CEO, 2017). with the business way of dealing, first, a detailed study of the area was conducted and the policies and strategies were formulated upon the ground reality (Rajesh Raveendran, 2018). The CSR policy of the organization, is the 1) “realization of the twin goals: shareholder value enhancement and societal value creation in a mutually reinforcing and synergistic manner” 2) sustainable development for rural area 3) eradicate hunger, poverty through promoting agriculture, protection of the environment, 4) develop Human capital. The policies are to be implemented in Education, Health, Sustainable Livelihood, Infrastructure development and bringing social change. The thrust areas are Housing for all, Drinking water, Agriculture, industry, Waste Management, Road development (Kitex Garments Limited, 2014a).

According to the Secretary of the organization, the initial responsibility they took was ensuring drinking water in the Panchayat and implemented around 70 small scale drinking water schemes. Later on, to check corruption they started ensuring that the Ration Shops in the village is functioning well. They had a monitoring committee to monitor the ration shops in the village and taught the people to insist for bill from the ration shops. To make the area investment-friendly they took initiative for upgrading the roads to National Highway quality, increasing the minimum width of the local roads in the area to 6 meters and the rest up to 12 meters. The process of road widening was completed in record time. These interventions caused a boom in Real estate by which the land price increased from 1 Lakh to 3 Lakh. To become self-sustainable in agriculture and expecting an income of 70-100 crore from it, seeds, fertilizers and machines for farming were provided to the farmers free of cost. (A. Antony, personal communication, 3 July 2019).

The highlight of the whole event was a half-price market named “Twenty20 Food Security market” where rationed daily essentials are available in half the market price, thus

enabling the people to save 2,500-3,000 rupees per month. For the protection of the natural environment and ensure groundwater level 60-65 crore is being spent deepening, fencing and constructing check dams across brooks. To promote self-employment goats and hens were distributed. To improve the standard of living 750-1000 houses were constructed and 600 houses were maintained (A. Anthony, personal communication, 3 July 2019). The reach and influence of the organization were immense that 80 percent of the population turned out to be their beneficiary (K, 2020; Roy Mathew, 2015).

They managed to ensure the welfare of the people by expending capital form the business after understanding the needs and necessity of the people. The neutral and non-political character of the organization managed to attract the local population which led to the development of the local village.

2) What is the secret of the success of this CSR initiative in developing the village compared to government agencies.

It was reported in 2015 that; while 22.4 Crores spent by Kizhakkambalam Gram Panchayat, Twenty20 have spent more than double of that in two years (M. K. Sunil Kumar, 2015). They have spent 1) 1.43 crore in FY 2014-15, 2) 319.70 Lakh in FY 2015-16, 3) in 2017-18 financial year: Rs. 12 crore (12,75,12,054 Rupees), in FY 2018-19 Rs 5 crore. (5,57,69,163.18 Rupees). (Kitex Garments Limited, 2014b, 2015, 2016, 2018). Because of the resource crunch and following the path of the central and state governments the Panchayat which took power in 2015 made a policy decision that Public-Private-Partnership (PPP) will be used for the development of the Panchayat (Kizhakkambalam Gram Panchayat, 2019, p. 1). Making it the first local body to go for PPP model for development.

Not only the amount of money spent but also the organizational structure of Twenty20 is also a crucial factor in its success. The hierarchical structure of the organization consists of 3 levels. At the apex it is a 20 member executive board including the Managers of both the company as president and chairman and also the Panchayat president as a member in it. At the second level each ward consists 8 office bearers, towards the third level each ward is divided into 20-25 areas and which an 'Area Secretary' is in charge of each, who is supposed to supervise the 'High power members' under him where each member is in-charge of 4 houses in his neighbourhood. The interesting fact is that all of them are service oriented and works part-time and none of them are paid except a ward staff in each of the 19 wards who works full-time (Twenty20 Kizhakkambalam, 2019). the organizational structure is suitable

for a village where people cares for each other ensures the participation and decisions are taken with consensus.

Conclusion

Twenty20 is an example that a Local Village and international business can grow along with each other. In the conversations with the ordinary people of the village, they claim that after the organization came tremendous changes are visible in their life. The objective of CSR as per GoI is the inclusion and development of the leftover were made possible through it.

The concepts of trusteeship, ethical obligation, universality mentioned in the CSR policy of Kitex Garments Limited. With the policy document and their activities, they are putting forward a claim that people engaged in economic activities should be trustees of the society. From the CSR policy, it can be observed that they believe in the Gandhian idea of 'trusteeship.' They claim to be functioning as a trustee of the society and "reaching out to underserved communities" as their heritage. Second, they claim that they have the ethical obligation to give back what is taken from society.

The success of this particular CSR initiative is due to the application of business management techniques than public management. Because of the authentic information about the needs and necessities of the people, target-oriented policies could be formulated and decisions could be taken without any delay. Funds are available to implement the decision and it is monitored to meet deadlines. People's participation and the small size of the local area also determined the success of the initiative.

References

About Us. (2017, November 9). Twenty20 Kizhakkambalam.

<http://www.2020kizhakkambalam.com/index.php/about-us/>

Anna Group. (2013, January 14). *About Us* [Commercial]. Anna Group: Aluminium

Cookware, Textiles & Spices Businesses In Kerala. <http://www.annagroup.net/about-us/>

Anthony, A. (2019, July 3). *Interview with Augustine Anthony, Sectary 2020 Association, on,07/03/2019 at Kizhakkambalam, 18:32:2910:08 PM* [Malayalam].

- Babu, G. (2015, November 21). A political Twenty20 in a Kerala village. *Business Standard India*. https://www.business-standard.com/article/politics/a-political-twenty20-in-a-kerala-village-115112100838_1.html
- Basher, K. (2016, January 18). ‘Business houses can run villages better than political parties’. *Business Line*. <https://www.thehindubusinessline.com/specials/india-file/business-houses-can-run-villages-better-than-political-parties/article8120852.ece>
- Warrier, Shobha. (2015, November 11). *How a company may change India’s politics—Rediff.com India News* [News]. Rediff.Com. <https://www.rediff.com/news/interview/how-a-company-may-change-indias-politics/20151111.htm>
- Cleaner to CEO: Sabu M. Jacob. (2017, December 8). *The CEO Magazine*. <https://www.theceomagazine.com/executive-interviews/apparel-accessories/sabu-m-jacob/>
- Government of India. (n.d.). *National CSR Portal* [Official]. National CSR Data Portal. Retrieved 26 June 2020, from <https://www.csr.gov.in/page-history.php>
- The Companies Act, 2013, Act No. 18 of 2013.
- Companies (Corporate Social Responsibility Policy) Rules, 2014.
- Jacob, B., M, & Jacob, Sabu, M. (Eds.). (2012). *Kaalatinu Munpe Nadanna Karmayogi*. Anna Kitex Group.
- K, N. M. (2020, January 19). *Inside India’s first corporate panchayat* [News]. Livemint. <https://www.livemint.com/news/india/inside-india-s-first-corporate-panchayat-11579449480244.html>
- Kitex / About us*: (n.d.). Retrieved 26 June 2020, from <http://www.kitexgarments.com/aboutus/>
- Kitex Garments Limited. (2014a). *Corporate Social Responsibility Policy*. Kitex Garments Limited. <http://www.kitexgarments.com/wp-content/uploads/2015/11/CSR-POLICY.pdf>
- Kitex Garments Limited. (2014b). *CSR Report 2014-15*. Kitex Garments Limited.
- Kitex Garments Limited. (2015). *CSR Report 2015-16*. Kitex Garments Limited.
- Kitex Garments Limited. (2016). *CSR Report 2016-17*. Kitex Garments Limited.
- Kitex Garments Limited. (2017). *CSR Report 2017-18*. Kitex Garments Limited.

- Kitex Garments Limited. (2018). *CSR Report 2018-19*. Kitex Garments Limited.
- Kitexchildrenswear. (n.d.). *About Us*. Kitex Childrenswear Limited. Retrieved 26 June 2020, from <https://www.kitexchildrenswear.com/about.html>
- Kizhakkambalam Gram Panchayat. (2019). *Antima Padhathirekha (Final Development Plan) 2019-20*. Kizhakkambalam Gram Panchayat.
- Kizhakkambalam Gram Panchayat. (2018). *Pouravakasha Rekha (Citizens Charter) 2018-19*. Kizhakkambalam Gram Panchayat.
- Kizhakkambalam Gram Panchayat. (2019). *Antima Padhathirekha (Final Development Plan) 2019-20*. Kizhakkambalam Gram Panchayat.
- Leaders of Inclusive Entrepreneurship. (2016, April). *Destination Kerala*, 18(12), 30–36.
- Kumar, M. K. Sunil. (2015, June 11). Kitex gives T20 a new spin in Kizhakambalam—Times of India. *The Times of India*. <https://timesofindia.indiatimes.com/business/india-business/Kitex-gives-T20-a-new-spin-in-Kizhakambalam/articleshow/47621536.cms>
- Ittyipe, Minu. (2015, November 23). A Corp’s New Clothes Garments giant Kitex rolls out freebies, wins panchayat polls in Kerala | Outlook India Magazine. *Outlook*. <https://www.outlookindia.com/magazine/story/a-corps-new-clothes/295855>
- Roshan, R (2019, March 4). Kunjuduppukaludae Valiya Lokattu Onnamatakan Kitex Garments (To Become First in the World of Kids Garments). *Matrubhoomi*.
- Raveendran, Rajesh . (2018, May 6). Kizhakkambalam Adhava M C Jacobintae Swarga Raajayam (Kizhakkambalam or the Heaven of M C Jacob). *Janmabhoomi*, 1.
- Thayabji, Roopa. (2018, October 23). *8000 women, one company, no chitchats, no noise this is the secret of Kitex Garments South India’s large company with 8000 lady staffs* [Magazine]. *vanitha.in*. <https://www.vanitha.in/justin/south-indias-large-company-with-8000-lady-staffs.html>
- Mathew, Roy. (2015, November 7). *Democratic, yet corporate takeover of panchayat* [News]. *News and Views*. <http://newsandviews.org.in/?q=content/democratic-yet-corporate-takeover-panchayat>
- Sethunath, K P. (2015, October 10). *Businessman’s 2020 revs up Kizhakkambalam poll*. *Deccan Chronicle*. <https://www.deccanchronicle.com/151010/nation-current-affairs/article/businessman%E2%80%99s-2020-revs-kizhakkambalam-poll>

- Philip,Shaju. (2015, November 16). Kerala civic polls: How a company won a panchayat.
The Indian Express. <https://indianexpress.com/article/india/india-news-india/kerala-civic-polls-how-a-company-won-a-panchayat/>
- Twenty20 Kizhakkambalam. (2014). *Rules and Bye-Laws of Twenty20 Kizhakkambalam Association*. Twenty20 Kizhakkambalam Association.
- Twenty20 Kizhakkambalam. (2019). *Twenty20 Kizhakkambalam Office Bearers 2019*.
Twenty20.