
**Corporate Social Responsibility Practices in India:
A study of Top Fast Moving Consumer
Goods Companies**

Shivam Shukla*
Dr. Amit Kumar Pandey**
Dr. Sudhir Kumar Shukla***

*(*Professor & Head, Department of Commerce, M.G. Kashi Vidyapith, Varanasi, U.P.
**Assistant Professor (Marketing & Sales), Amity Business School, Noida (U.P.)
***Research Scholar, Banaras Hindu University, UGC NET (JRF) - Commerce, Varanasi (U.P.)*

ABSTRACT

In recent years the concept of Corporate Social Responsibility has expanded very rapidly in India in all the sectors. Corporate Social Responsibility is the contribution towards the society while working with in ethics. In a developing country like India, FMCG sector plays a very important role in upgrading the economy of the country, not only by lending money or increasing the liquidity in the country but also by imposing a new practice called corporate social responsibility (CSR).The FMCG sector is in a leading position in discharging CSR in the country.

This paper tries to enlist various initiatives taken by the FMCG sector in the recent times with respect to CSR along with its future scope. The Corporate Social Responsibility is the commitment of the corporate for the equitable growth & sustainable development of the society. Under the new Companies Act, 2013, passed by Parliament in August 2013, profitable companies will have to spend at least 2 per cent of their average net profit over the preceding three years on CSR activities. In this context the present paper looks into the corporate social responsibility spending of the Indian FMCG companies.

STATEMENT OF THE PROBLEM

From the past studies it has been found that the contribution by Indian companies on corporate social responsibility is deficient. The new legislation of Companies Act 2013 requires certain class of companies to spend at least 2 % of their three year average annual net profit towards CSR activities. It in this perspective the following study is undertaken to figure out CSR spending of the Indian FMCG companies.

KEYWORDS

Corporate Social Responsibility (CSR), Fast-Moving Consumer Goods (FMCG), Community Welfare, Philanthropy, Environment Protection, Education

OBJECTIVES OF THE STUDY

The Present study aims to evaluate the different dimensions of Corporate Social Responsibility by studying the following Objectives:

- To study the concept of CSR.
- To study the Major areas of CSR initiatives in Indian FMCG Sector.
- To focus on the Present Status of CSR in FMCG sector in India.

3. METHODOLOGY

Research methodology is the blue print of the research which is being conducted. The Research design in this study is Descriptive research design, Random Sampling technique is used for selecting the companies for this Study in which the major players from the FMCG sector have been selected for the study i.e. ITC, P&G, Hindustan Unilever, Nestle India etc. The Data is collected from secondary sources particularly from concerned companies Annual Report, Web sites, newsletters and data from various journals.

4. LITERATURE REVIEW

Ernst & Young (Global CSR summit 2013) we recognize that companies have, in their own ways, been contributing to the foundation of CSR in India. They have, with their desired methods of intervention, been addressing national concerns such as livelihood promotion, community development, environment, making health services more accessible, creating inclusive markets and so on. However, the efforts are not coordinated and a strategic national level policy framework with the involvement of all stakeholders may ensure that the efforts made by companies, individuals, organizations, and the government are synergistic and create a snowball effect. Effectively, minimizes duplication and creates more value and really achieves development goals. The key to maximizing returns for all the stakeholders in the given situation is to emphasize on developing effective and need based CSR strategies so that the investments can yield intended results. Effective CSR can be achieved by aligning CSR initiatives to the extent possible with business objectives, thereby indirectly programming. As far as possible, the

CSR initiatives should be designed in a sustainable manner and should be scalable and result oriented. Therefore, creating indirect advantages such as brand visibility, social capital, partnerships, business opportunities, long-term community relationships and most importantly nation building.

Vivek Wankhade (2014) the study revealed that the CSR spending as a percentage of Profit after tax of the Indian Companies is not equal to 2 %. Further there is no significant difference in the CSR spending of Public Sector Companies & Private Sector Companies. It also shows that there is no significant difference in CSR transparency score of Public Sector Companies & Private Sector Companies. The Companies Act, 2013 presents a unique opportunity to stand up to the challenge of providing equal access to opportunities. With a system of proper accountability & transparency it can bring about a remarkable change in the society by making the organisation socially sensitive and responsible.

Chandrakanta Sahoo (2011) studied "Corporate Social Responsibility: Issues and Controversies". He concluded that CSR in India is restricted to narrowly defined set of people (read as stakeholders), to fixed set of roles (implementing community development projects) and to the approaches with tunnel vision (community development in sectors of health, education etc). This is more specific to the country like India where for over a century the approach of CSR remained corporate philanthropy and community development. There is need to augment the scope of CSR with respect to stakeholders involved, CSR practices of

corporations (from isolated, independent community development interventions, to more long lasting initiatives through their association with civil society organizations and government in planning, policy making and implementation of various RD interventions). As it is repeatedly cautioned, the approach of CSR is shifting from ethical to statist approach. It is time for the corporate bodies to take proactive steps, rather than allowing the State to define CSR for them or start reacting to the State's policies on CSR.

Sanjay Kanti Das (2012), in his study presented that development of Corporate Social Responsibility (CSR) is very slowly in India though it was started a long time ago. In his view CSR has been assuming greater importance in the corporate world, including the banking sector. There is a visible trend in the financial sector of promoting environment friendly and socially responsible lending and investment practices. The Govt. of India is pursuing the matter relating to CSR and also drafted guidelines for CSR practices time to time.

Subhasis Roy (2013) CSR activities include projects in education, health and infrastructure which are closely linked to sustainable community development. CSR is increasingly seen by the Indian government as a means to finance and achieve SD. One of the first steps in this direction is a 2010 guideline making CSR mandatory for profit making public sector undertakings. This is a major departure from the voluntary and strategic nature of CSR that has become predominant in the developed countries in recent years. The study identified four parameters that could help the government and the public sector to achieve sustainable development through

their CSR programmes: stakeholder engagement, institutional mechanisms, capacity development and knowledge management. Initiatives in these four dimensions can help India to build evidence sensing and participatory mechanisms as well as intra and extra organizational capacity building to make CSR more robust and useful in achieving its goal of sustainable development as well as be one of the largest economies in the world.

Richa Gautam & Anju Singh (NITIE) Corporate no doubt have made significant contributions towards the sustainable development of our country. Considering the limitations of the corporate in their CSR activities, some recommendations which can be used towards satisfaction like companies should extend their CSR activities in less privileged states rather than concentrate in resource rich states. It is essential that companies develop an effective value chain system of their products through their CSR activities, which is essential for competing in the global market. It will give better results if activities are based on a more practical & participatory approach and touch the grassroots level. Voluntarism among employees should be encouraged and institutionalized through recognition and incentives. There is also need for public-private partnership with well-defined controls and process for the best use of resources for social change. Special training needs to be given to business managers in working with social issues. Participation of small and medium business should be encouraged. Experience has shown that working with NGOs is more worthwhile and result-oriented. Joining hands with related NGOs is therefore advisable.

Saeed Khan (2010) identifies the potential benefits of CSR in Better anticipation and management of an ever-expanding spectrum of risk, Improved reputation management, Enhanced operational efficiencies and cost savings, Improved ability to attract and build effective and efficient supply chain relationships, Enhanced ability to address change, A catalyst for responsible consumption. Indian FMCG companies include domestic as well multinational companies. These companies are doing business of selling FMCG products ranging from Personal Care like shampoos, hair oil, body lotions, soaps, Home & Fabric Care like detergents, laundry soaps, to Foods products like biscuits, jams, fruit juices, etc. The main CSR challenges for these companies are reduction in the use of packaging material, environment protection and health care of direct stakeholders at the manufacturing areas, recycling of the waste material, etc.

PRACTICAL IMPLICATIONS

The study clearly maps the CSR performance of top Indian companies against well defined standards. This paper will be useful to any Indian company in better tracking about its shortcomings and eventualities.

ORIGINALITY/VALUE

This is the first time that such a precise study is being carried out based on Indian FMCG companies. It gives a perspective on how top companies in India view and conduct CSR.

INTRODUCTION

Over the past few years CSR, as a concept, has been the focus of many deliberations and research. It has grown in prominence both

academically as well as in the business comprehension. It captures a spectrum of values and criteria for measuring a company's contribution to social and community development. As the term "CSR" is used continually, many complementary and overlapping concepts, such as corporate citizenship, stakeholder management, sustainability and business ethics, have rolled in. This vast range of synonymously used terms indicate that multiple perspectives and by those in facilitating roles such as the corporate sector, government agencies, academics and the public sector. In the last decade, CSR has been the focal point of all stakeholders including the government, corporate sector, media, customers, suppliers, employees and communities. The Government of India's initiative to provide a mandate to public sector enterprises to spend a certain portion of profit after tax for CSR has set the wheels in motion for enhanced contribution and more socially responsible behavior to lead towards inclusive growth. Moreover, the National Voluntary Guidelines on Social, Environmental and Economic responsibilities of business by the Ministry of Corporate Affairs indicates that governments emphasize on CSR and engaging public and private companies and increasing their contribution toward lessening the gap between economic and social progress.

As presented in the figure most common thematic areas covered by the companies include health, education, livelihoods, environment and rural development. Of these thematic areas, education is the most common and research indicates that 100% of the companies included in the research were found to have some initiatives on education followed by livelihoods and environment and then health care and rural development.

Table No.1
Common Areas where Companies Invest under CSR initiative

Thematic Areas	Contribution under CSR initiative
Education	100%
Environment	94%
Livelihood	94%
Healthcare	90%
Rural Development	88%

Source: Ernst & Young, PHD Chamber, Global CSR Summit 2013

Table No. 2
Phases and Models of CSR practices in India

Phase	Model	Thrust/Strategies	Focus
Phase I (till 1914)	Ethical	CSR motivated by charity and philanthropy.	Voluntary commitment by companies to public welfare.
Phase II (1914-1960)	Statist	CSR for India's social development.	State ownership and legal requirements determine Corporate responsibility.
Phase III (1960-1980)	Liberal	CSR under the paradigm of the mixed economy.	Corporate responsibilities limited to private owners (Shareholders).
Phase IV (1980 onwards)	Stakeholder	CSR at the Interface between philanthropic and business approaches.	Companies respond to the needs of stakeholders- customers, employees, communities, etc.

Source: Compiled from various reports

CSR and Indian FMCG companies

FMCG Companies in India have tremendous strengths; they have extremely capable people, technology, access to money, the ability of geographical reach, etc. Many of such companies operate worldwide and now even in India are more powerful than governments and even countries, and thus corporates are important stakeholders in society. CSR Ratings are important to various stakeholders for different reasons: - government bodies can use CSR Ratings to develop industry-wise CSR guidelines, industry associations can use them to set benchmarks of CSR for companies to follow, NGOs get to know about the CSR undertaken by companies, thus enabling partnerships with them, and companies themselves learn about and from the CSR initiatives of other companies.

Table No. 3

Sales, Recommended CSR, Areas, Methodology adopted and Impact of Top 10 FMCG companies in India

Company	Sales (2013-14) in Crores (Rs.)	Recommended CSR (0.2% of sales) in Crore (Rs.)	CSR areas and Methodology adopted	Impact
ITC Ltd.	45102	90.20	Enhancing ecological balance, Promoting education, Supporting rural development (e-choupal)	Supplier and community development
Nestle India	90619	181.24	Nutrition, Water & Sanitation, Rural Development	Environment protection and community services
Hindustan Uniliver	28947.06	57.89	Employment enhancing vocation skills, Promoting sanitation, Ensuring ecological balance	Environment protection and community services

Proctor & Gamble (P&G)	147427	294.85	Education for Underprivileged Children (Shiksha), Supporting Girl Child, Disaster Relief	Education and Community welfare
Colgate Palmolive	3757.38	7.51	Free oral care education, Develop basic hygiene and diet, Helping young people through health education programs	Health care and Education
Britannia Industries	5564.38	11.13	Catering to the national interest, Committed to be a good corporate citizen, Prohibits any payment of bribes	Community welfare and Employee development Support
Dabur	7073.2	14.15	Eradicating hunger, poverty and malnutrition, Promoting India Ltd. Health care including Preventive Health care, Promoting gender equality	Community welfare, Environment
Godrej Consumers Products Ltd.	4119.84	8.24	Spearheading the Green Revolution, World Wide Fund for Nature, Trees and Afforestation	Environment Protection

Snapshot of the Table:

1. Almost no companies have mentioned their CSR spending.
2. There are indications that CSR initiatives are for the local communities, however few companies are moving towards business embedded CSR initiatives.
3. All 10 companies under study are engaged in CSR activities.
4. Analyzing these companies' websites, it was discovered that Indian FMCG companies are energy conscious and working reducing energy consumption and also earning the carbon credits.
5. Companies like Hindustan Unilever, P&G and Dabur are more CSR active.
6. CSR challenge to these companies is reduced use of packaging material, recycle and use waste material and being energy conscious.
7. Companies like Hindustan Unilever and Dabur India are more CSR conscious and publish Sustainability Report every year.
8. The websites are not updated about the latest CSR initiatives they had taken.
9. Many FMCG companies are involved in environment protection CSR initiatives.
10. The spectrum of operation and areas covered by the companies are still quite limited and various other socially significant areas are yet not in picture.

CONCLUSION

Business houses all over the world are realizing their stake in the society and engaging in various social and environmental activities. The need of the hour is to formulate effective strategic policies and adopt various instruments according to the company history, its content, peculiarity in relationship with its different stakeholders so that CSR can be best

implemented towards its goals – sustained environmental, social and economic growth.

There are several FMCG companies in India involved in diverse issues such as healthcare, education, community development, sanitation and women empowerment. Analysis of diverse surveys in India suggest that though many companies in India have taken on board the universal language of CSR, CSR seem to be in a scattered state. Individual companies define CSR in their own limited ways and contexts. The end result being that all activities undertaken in the name of CSR are mainly philanthropy, or an extension of philanthropy. It seems that CSR in India has been evolving in domain of profit distribution.

There is a need to increase the understanding and ensure active participation of business in equitable social development as an integral part of good business practice. FMCG Companies should extend their CSR activities in less privileged states rather than concentrate their activities in resource rich states. It is essential that companies cultivate an effective value chain system of their products through their CSR activities, which is essential for competing in the global market. It will give better results if activities are based on a more practical & participatory approach and touch the grassroots level.

Voluntarism among employees should be encouraged and institutionalized through recognition and incentives programs. There is also need for public-private partnership with well-defined controls and process for the best use of resources for social change. Special training needs to be given to business

managers in working with social issues.

Participation of small and medium business should be stimulated. Experience has revealed that operating with NGOs is more appropriate and result-oriented. Joining hands with related NGOs is therefore advisable.

REFERENCES

1. Das, S.K. (2012). CSR Practices and CSR Reporting in Indian Financial Sector, *International Journal of Business and Management Tomorrow*, Vol. 2 No. 9.
2. Sahoo, C. Corporate Social Responsibility: Issues and controversies. *Journal of Business and Management*, Vol 3, No 2, pp 1-4, ISSN 2222-1905.
3. Wankhade, V. (2014). Analysis of Corporate Social Responsibility Spending of the Indian Companies, *Abhinav International Monthly Refereed Journal of Research in Management & Technology*, Volume 3, Issue 4, pp 12-20, Online ISSN-2320-0073.
4. Gautam R. & Singh A. (2010). Corporate Social Responsibility Practices in India: A Study of Top 500 Companies, *Global Business and Management Research: An International Journal*, Vol. 2, No. 1, 2010, pp 41-56.
5. Khan S. (2010). Corporate Social Performance of Indian FMCG Companies, *Issues in Social and Environmental Accounting*, Vol. 3, No. 2, pp 180-201.
6. Singh N. & Srivastava R. & Rastogi R. (2013). CSR Practices & CSR Reporting in Indian Banking Sector, *International Journal of Scientific and Research Publications*, Volume 3, Issue 12, ISSN 2250-3153, ISSN 2250-3153.
7. Ray S. Linking public sector Corporate Social Responsibility with sustainable development: lessons from India, *RAM. Revista de Administração Mackenzie*, ISSN 1678-6971.
8. Ernst & Young (2013). Report on Corporate Social Responsibility in India: Potential to contribute towards inclusive social development, *Global CSR Summit 2013, An Agenda for Inclusive Growth*.
9. Chatterji, M, Corporate Social Responsibility, Oxford University Press, ISBN-13: 978-0198069836.
10. Saravanel, P, Research Methodology, Kitab Mahal, Allahabad 2003.