



“STUDY ON THE TRIPLE BOTTOM LINE CONTRIBUTION OF ITC LTD”

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Abstract

Business enterprises are economic organs of society and draw on societal resources; it is ITC's belief that a company's performance must be measured by its Triple Bottom Line contribution to building economic, social and environmental capital towards enhancing societal sustainability. ITC believes that in the strategic context of business, enterprises possess, beyond mere financial resources, the transformational capacity to create game-changing development models by unleashing their power of entrepreneurial vitality, innovation and creativity. In line with this belief, ITC will continue crafting unique models to generate livelihoods and environmental capital. Such Corporate Social Responsibility ("CSR") projects are far more replicable, scalable and sustainable, with a significant multiplier impact on sustainable livelihood creation and environmental replenishment. These initiatives are independent of the normal conduct of ITC's business. To identify the programmes, projects and activities (collectively "CSR Programmes") carried out in ITC are the main theme of this paper.

Key Words: Corporate Social Responsibility ("CSR").

1.1 Introduction

Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship or responsible business) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms. With some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law." The aim is to increase long-term profits and shareholder trust through positive public relations and high ethical standards to reduce business and legal risk by taking responsibility for corporate actions. CSR strategies encourage the company to make a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.

CSR is titled to aid an organization's mission as well as serve as a guide to what the company represents for its consumers. Business ethics is the part of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment. ISO 26000 is the recognized international standard for CSR. Public sector organizations (the United Nations for example) adhere to the triple bottom line (TBL). It is widely accepted that CSR adheres to similar principles, but with no formal act of legislation. As per the statistical report in the year 2015 among the six FMCG companies the major contributor in CSR is ITC Ltd. Thus This paper focus on the programmes, projects and activities (collectively "CSR Programmes") carried out in ITC Ltd. ITC's belief that a company's performance must be measured by its Triple Bottom Line contribution to building economic, social and environmental capital towards enhancing societal sustainability. ITC believes that in the strategic context of business, enterprises possess, beyond mere financial resources, the transformational capacity to create game-changing development models by unleashing their power of entrepreneurial vitality, innovation and creativity. In line with this belief, ITC will continue crafting unique models to generate livelihoods and environmental capital. Such Corporate Social Responsibility ("CSR") projects are far more replicable, scalable and sustainable, with a significant multiplier impact on sustainable livelihood creation and environmental replenishment. These initiatives are independent of the normal conduct of ITC's business.

1.2 Objectives of the study

1. To identify the programmes, projects and activities (collectively "CSR Programmes") carried out in ITC Ltd.
2. To analyse the CSR expenditure of ITC Ltd among the FMCG companies.

2.1 The major CSR interventions of ITC Ltd.

ITC has made a far-reaching contribution to the national cause of livelihood creation, particularly in rural India. The Company's integrated rural development programme has helped create a vibrant rural eco-system empowering farmers, enriching the environment and raising rural incomes. These innovative interventions have reached meaningful scale given the core focus on empowerment and co-creation, development of institutional frameworks and capacity building at the grass-roots. By adopting a 360 degree approach to enriching rural eco-systems, ITC has put in place long term drivers that will contribute meaningfully to the national priority of employment generation and sustainable growth.



The overarching aim of ITC's social sector engagement is to empower stakeholder communities to conserve, augment and manage their social and environmental capital in order to promote sustainable livelihoods or employability on a significant scale. ITC is committed to make growth more inclusive by focusing on the needs of three identified stakeholders:

1. Rural communities in the Company's operational areas.
2. The communities residing in close proximity to the Company's production units.
3. The central and state governments, which encourage Public Private Partnerships (PPPs).

Within this, the three specific objectives are:

- To promote climate-smart rural development by broad-basing farm and off-farm livelihoods portfolio of the poor and marginalised. Such interventions strengthen the existing productive base as well as provide alternate sources of incomes, which help minimise the dependence of farmers on rain-fed crops for economic survival.
- To nurture and develop social capital to create a more level playing field for skill- related vocations and to meet the competitive demands for higher productivity. Both, in turn, generate higher incomes and help in alleviating poverty.
- To explore a wider canvas of social initiatives in the interest of the nation. ITC is committed to pursuing excellence in sustainability and preserving India's unique cultural heritage.

ITC's vision to sub-serve larger national priorities and create enduring societal value is the inspiration behind its multi-dimensional sustainability initiatives. The Company's sustainability strategy is premised on the belief that the transformational capacity of business can be very effectively leveraged to create significant societal value through a spirit of innovation and enterprise. The sustainability strategy aims to significantly enhance value creation for the nation through superior 'Triple Bottom Line' performance that builds and enriches the country's economic, environmental and societal capital.

2.2 CSR activities

1. Environment

- ITC has been 'Carbon Positive' three years in a row (sequestering/storing twice the amount of CO₂ than the Company emits).
- 'Water Positive' six years in a row (creating three times more Rainwater Harvesting potential than ITC's net consumption).
- Close to 100% solid waste recycling.
- All Environment, Health and Safety Management Systems in ITC conform to the best international standards.

2. Social

- ITC's businesses generate livelihoods for over 5 million people.
- ITC's globally recognised e-Choupal initiative is the world's largest rural digital infrastructure benefiting over 4 million farming families.
- ITC's Social and Farm Forestry initiative has greened over 80,000 hectares creating an estimated 35 million person days of employment among the disadvantaged.
- ITC's Watershed Development Initiative brings precious water to nearly 35,000 hectares of drylands and moisture-stressed areas.
- ITC's Sustainable Community Development initiatives include women empowerment, supplementary education, integrated animal husbandry programmes.
- Preserving National Heritage
- As a socially responsible corporate citizen, ITC endeavours to create value for the Indian society in multiple ways, one of them being preservation of India's rich cultural heritage. ITC has made significant contribution to the promotion of Indian classical music, theatre, art and cuisine.

3. E-Choupal

- ITC's Agri Business Division, one of India's largest exporters of agricultural commodities, has conceived e-Choupal as a more efficient supply chain aimed at delivering value to its customers around the world on a sustainable basis.
- The e-Choupal model has been specifically designed to tackle the challenges posed by the unique features of Indian agriculture, characterised by fragmented farms, weak infrastructure and the involvement of numerous intermediaries, among others
- 'e-Choupal' also unshackles the potential of Indian farmer who has been trapped in a vicious cycle of low risk taking ability > low investment > low productivity > weak market orientation > low value addition > low margin > low risk taking ability. This made him and Indian agribusiness sector globally uncompetitive, despite rich & abundant natural resources.



- Such a market-led business model can enhance the competitiveness of Indian agriculture and trigger a virtuous cycle of higher productivity, higher incomes, enlarged capacity for farmer risk management, larger investments and higher quality and productivity.
- Further, a growth in rural incomes will also unleash the latent demand for industrial goods so necessary for the continued growth of the Indian economy. This will create another virtuous cycle propelling the economy into a higher growth trajectory.

4. Commitment

- Envisioning a larger societal purpose has always been a hallmark of ITC. The company sees no conflict between the twin goals of shareholder value enhancement and societal value creation. The challenge lies in fashioning a corporate strategy that enables realisation of these goals in a mutually reinforcing and synergistic manner.
- As a corporate citizen with enduring relationships in rural India, ITC has a history of collaboration with communities and government institutions to enhance farm productivity and the rural resource base. ITC's commitments in agricultural R&D and knowledge sharing have spanned vital aspects of competitiveness – efficient farm practices, soil and water management.
- In 2000, harnessing the empowering force of information technology and its scalability, ITC launched e-Choupal – a knowledge portal providing farmers with a range of information and services. Designed to enable them to bargain collectively and enhance their transactive power, e-Choupal became the much needed and easily adoptable tool farmers had been waiting for. Today e-Choupal is a vibrant and rapidly growing zone of business and interaction for over 4 million farmers.
- ITC moved rapidly to apply the economic momentum of e-Choupal to solving urgent social and environmental tasks. ITC launched Mission Sunehra Kal, a rural capacity building programme fostering local initiatives to develop water and forest resources, open up new non-farm livelihoods, empower women economically and expand primary education.
- The Mission now embraces a community of thousands of villages that are influential nuclei of change in rural localities spread over 11 States. A clearly focused self-help movement has gained ground in village after village in these areas, with farmers co-operating to create much needed economic, environmental and social assets out of their own resources.
- By linking knowledge and technology transfer to the creation of economic and social capacity, ITC has brought a new dynamic to rural development.
- ITC has consciously chosen the path less travelled. A path that has led it to create sustainable livelihoods for 5 million people. For ITC this is an expression of a commitment beyond the market. Of a conviction that country must come before corporation. Of a true pride in being Citizen First.

2.3 CSR expenditure analysis

The table 2.1 shows the percentage of change in CSR expenditure among the six FMCG companies in the year 2015.

Table 2.1, CSR expenditure in the year 2014 and 2015

COMPANY	CSR SPEND (in Crore)2014	CSR SPEND (in Crore)2015	% Change
ITC	106.63	214.06	100.8
HUL	58.62	82.3	40.4
NESTLE	23.9	8.5	-64.4
GODERJ	4.51	16.08	256.5
DABUR	20.6	14.71	-28.6
EMAMI	3.75	7.6	102.7
Total	218.01	343.25	57.4

Findings and Conclusion

3.1 Findings

- Most of the six firms were able to meet the 2% mandate and in fact spent a few lakhs more than needed, Swiss multinational, Nestle which is in eye of the Maggi-ban storm, not only missed meeting the 2% CSR spend by a wide margin, but also saw its CSR spend fall in 2014. According to its annual report, Nestle India had to spend Rs.30.7 crore in 2014, but it spent only Rs.8.5 crore in the year ended 31 December 2014. Its CSR spend fell by 64% from Rs.23.9 crore in 2013.
- The other multinational Hindustan Unilever Ltd, which is also facing flak from local communities in Kodaikanal over dumping mercury at the site of a thermometer plant, which it shut down 14 years ago, spent Rs.82.3 crore in fiscal 2015. HUL's CSR spend grew 40% over a year ago, and spent Rs.2.5 crore more than the 2% limit.
- Dabur, which met its 2% target by spending Rs 14.7 crore, showed a 29% drop in CSR spend versus last year.



- The highest increase in CSR spend among the six firms was seen in Godrej, as its spending rose four times to Rs.16 crore during the year. Their CSR activities include development of renewable energy and livelihood creation.
- Many companies' CSR spends will fall because much of what they were doing as CSR earlier won't be considered as CSR under the new guidelines.

3.2 Conclusion

The CSR rules, came into force on 1 April last year under the Companies Act 2013 and companies with a net worth of Rs.500 crore or more or revenue of at least Rs.1,000 crore or a net profit of Rs.5 crore in a given fiscal year should spend 2% of the profit of the last three years on CSR activities. As more and more companies publish their annual reports, the gradual swelling of the Corporate Social Responsibility (CSR) kitty is evident from the numbers. Consumer goods companies' share to CSR rose by 57% in 2014-15, in its first year of implementation as under Companies Act 2013. Six major companies viz, ITC Ltd, Hindustan Unilever Ltd, Nestle India Ltd, Godrej Consumer Products Ltd, Dabur Ltd, Emami Ltd spent Rs.343.2 crore during the year, mostly in health, nutrition, livelihoods and sanitation initiatives. Leading the pack, the largest company by revenue, ITC Ltd had to double its CSR spending to Rs.214 crore to comply with the law. ITC's CSR itself accounted for 60% of the sector's total spending. The cigarette maker spent largely on soil conservation (Rs.31.45 crore) and livelihood initiatives (Rs.28.53 crore) where it trains dairy farmers and help set up of modern milk collection networks, which lead to increase in income of farmers through enhanced productivity.

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