

# SUSTAINABILITY IN ACTION, A CASE STUDY OF CORPORATE SOCIAL RESPONSIBILITY INITIATIVES OF ITC

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## Abstract

Sustainability is the ability to maintain, to continue a practice which is environmentally & socially desirable. Corporate Social Responsibility (CSR) is the commitment of a company to practice environmental & social sustainability, there is no single or universal method of practicing sustainability, and different organizations practice it through different means according to their competence. CSR is becoming increasingly important as this helps the business to make a positive impact on the society from which it gets all its resources. This paper aims to explore the conceptual framework of the meaning and importance of CSR practices, along with that the paper examines the CSR initiatives taken by ITC, a diversified conglomerate, which began its journey as a tobacco company and now enjoying the status of a consumer-oriented and socially responsible company with a diversified business. ITC has marked its presence in FMCG market; Lifestyle Retailing; Paper & packaging business; Hotels etc. This paper is an attempt to develop an understanding of the concept of CSR by taking the case study of ITC. The study is descriptive in nature & is based on secondary data. The data related to CSR practices of the company has been collected from the official website of the company; the recent annual report has been thoroughly reviewed to gather useful information. The CSR initiatives of ITC are centered at social, economic and environmental growth. ITC intends to create a global exemplar in sustainability; the aim of the company is to achieve balanced growth, i.e. the expansion of business as well as the development of community and society. The case discusses the CSR practices of the company which are contributing in the sustainable development and details the initiatives undertaken by ITC for the betterment of the environment and the community, along with that some of the criticism against the company's CSR initiatives are also mentioned to depict an overall picture.

**Keywords:** Corporate Social Responsibility (CSR), Development, Sustainability

## Introduction

Sustainability is an ability to take on and continue a practice which focuses on creating & maximizing long term social, environmental & economic goals of an organization. Corporate Social Responsibility or CSR emerged as a tool to practice sustainability through business, there is no doubt that the concept of social responsibility or giving back to society is prevalent since ages, but with the refinement in its name as well as application, social responsibility advanced into Corporate Social Responsibility, popularly termed by its acronym CSR, which has developed into a subject, theory, principal and what not. But the essence of CSR lies in its application. In India, with the advent of Clause 135 of the New Companies Act, 2013, the application of CSR was ascended as it became mandatory for companies having net worth of Rupees five hundred crores or more; turnover of rupees one thousand crores or more; a net profit of rupees five crores or more in a financial year to spend at least 2% of the average net profit of the last three years under CSR head. There were many

companies in India which were already fulfilling their role as a corporate citizen, and spending a considerable portion of their profit on activities pertaining to social good, TATA, Birla, Reliance, etc. are amongst the pioneers who started the trend of being a good 'corporate citizen' and 'giving back to the society.' Corporate Social Responsibility is the commitment of a company to practice environmental & social sustainability, there is no single or universal method of practicing sustainability, and different organizations practice it through different means according to their competence. CSR is becoming increasingly important as this helps the business to make a positive impact on the society from which it gets all its resources.

ITC is a diversified conglomerate, which began its journey as a tobacco company and now enjoying the status of a consumer-oriented and socially responsible company with a diversified business. ITC has marked its presence in the FMCG market; Lifestyle Retailing; Paper & packaging business; Hotels etc. and aspires to create a global exemplar in sustainability with two way growth of business as well as society, complementary growth is their aim, and strategy is 'competitiveness that is responsible', ITC focuses on aligning its business strategy with the goal of financial inclusion and sustainability so that these goals become a part of overall business strategy and operations. All the problems, be it related to society or environment or economy are interrelated and will surely have an impact on each sector of society in the long run. For instance, the current problem of climate change due to global warming is disturbing the season patterns, which is creating a problem in agriculture and related sector, which would ultimately create a problem of insufficient food or shortage of food for the population of our country which is rising at a fast pace. There is a requirement to redouble the efforts to find and implement a relevant solution to global issues related to environmental and other matters. "Country before Corporation & Institution before Individual" is the philosophy on which ITC bases itself, that a business holds the power to revolutionize the society, societal value creation is the ultimate intention of ITC's business strategy, and the purpose of business is to serve a larger national purpose. The company has committed itself to pursue a low carbon path; a business that creates value for the society is the basis of its existence.

### **Review of Literature**

Kautilya's philosophy said that for good governance, all administrators, including the king were considered servants of the people. According to his philosophy, the king has no individuality of his own. He is for the people and of the people. (Kautilya's Arthashastra)

**Drucker (1946)** enlightened the corporations through his declaration in 'The Future of Industrial Man', by stating that harmony amongst the objectives of the company, objectives of the state system & people is the key ingredient for the continued existence of any enterprise.

**Carroll (1991)** illustrated the four responsibilities of business in form of a Pyramid in order of their relative importance. The CSR pyramid grips the intact series of business responsibilities, according to which every business has four major responsibilities i.e. Economic, Legal, Ethical and Philanthropic. Carroll's CSR Pyramid is a framework that helps to understand the manner in which the organization must fulfill their social responsibility.

**Backer & Olsen (2006)** in their study concluded that if the social initiatives undertaken by the organization don't align with the goals of the organization then it would impact the goals negatively.

**Öberseder, Schlegelmilch, Gruber & Verena (2011)** in their study tried to investigate why the

consumers have an easy going approach towards Corporate Social Responsibility initiatives undertaken by companies and the role of CSR in consumption decisions. This research points toward the gap between consumers' noticeable interest in CSR and the narrow influence of CSR in consumption decisions of consumers. Every consumer differs in their opinion as to what they consider as the true contribution which makes it difficult for corporates, hence well communicated CSR activities can help the consumers to understand and might also influence their purchase decisions.

**Green and Pelozo (2011)** conducted a study to figure out the manner in which the Social responsibility initiatives of companies create value for the consumers, which aided the companies in understanding why CSR is important and how the consumers value CSR. The research emphasizes there is a degree of difference in the value perceived by consumers from different CSR related activities.

**Mc Pherson (2018)** in her article on new trends in CSR opined that companies must continue to take action which accelerate environmental & social progress, just like environment businesses are also prone to threat of climate change, hence it is their responsibility to practice sustainability at every step from procurement of raw material, production, logistics, and supply chain to minimize the impact of business activity on environment by investing in innovative technology and supporting-guiding principles that can address dangerous climate change-related challenges.

### **Research Gap**

CSR is a wide concept which encompasses customer, corporates, and nation. Many studies were conducted in this area until now, but there is a need to understand the influence of CSR practices on sustainability.

### **Objectives of the Study**

1. To learn about the environmental and community initiatives undertaken by ITC.
2. To understand how CSR is used as a tool to achieve business growth along with sustainable development.

### **Research Methodology**

Thorough literature survey related to the topic and coreferent concepts has been done. Secondary data collected from various sources including websites and research papers are used for the study, for gathering the details regarding annual expenditure and other related data the annual report of the company has been referred.

### **Major CSR Initiatives undertaken by ITC**

1. Afforestation programme – This programme assists farmers to turn their unproductive land into profitable pulpwood plantations. ITC, through extensive and dedicated Research, developed clone saplings which are adapted to grow and survive in harsh conditions, there are two programmes one is 'Social Forestry' which is for impoverished farmers and 'Farm Forestry' is for better-off farmers. Through this initiative ITC succeeded in achieving its two objectives simultaneously, expanding the green cover, conserving soil and providing income opportunity.
2. Watershed Development – It is a collaborative model with ITC as the Facilitator and State Government; NGOs; Academic & Technical Instructions as collaborators to support the community in

managing local water resources. As water management is the most crucial problem to tackle with volatile climate change, and agriculture is not possible without water resource, ITC motivated farmers to form water user groups and providing them with necessary knowledge and technical help in developing micro water harvesting structure to store water which they can use for irrigation so that farming is less exposed to weather risks and farmers can grow a better crop in terms of quantity as well as quality.

3. Women Empowerment – the plight of women especially from rural & economically disadvantaged section is familiar, the reason behind their situation is illiteracy and lack of opportunity, to help them ITC started Women's Economic Empowerment Programme by providing them financial & other needed help to start & run their own business, providing financial education to them and building saving habit by assisting them to open bank account. ITC also started Exclusive Farmer field school to educate and help women agriculturists. Along with all this ITC also provide grants to women SHGs (Self Help Groups) with which they build corpus fund with monthly contributions to help each other in standing financially independent and self-reliant.

4. Primary Education – ITC's Education programme strives to create a friendly, safe and comfortable environment for children by providing facilities and commodities like furniture, fans, and teaching aids to government schools and establishing Supplementary learning center for dropouts and weak students so that they continue to learn.

5. Skill & Vocational Training – India is the most Youth Populated country but the nation is countering Skill gap, the reason behind this 'Skill gap' is lack of quality education & training, due to which youth from economically disparaged family units are affected the most. To make them job ready ITC is providing skill training courses (such as hospitality, retail, computer skills, etc.) which help to enhance the set of skills which are required for job hence improving the employability of underprivileged young people.

6. e- Choupal Ecosystem – the famous e-Choupal was a pioneering move initiated by ITC to help Indian farmers by establishing internet kiosks in the village to keep them updated about latest and relevant information and updates, it created a marketing channel for the farmers and helped to make the farm & non-farm services accessible.

7. Sustainable & Responsible Supply Chain- as the company has diversified business, it eventually creates a long supply chain, and hence the supply chain is vertically integrated, ITC's Paperboard business and Agribusiness divisions source the raw material directly from farmers, hence, ITC strives to imbued CSR in its supply chain as well.

8. Health & Sanitation – Open Defecation is an age-old habit and lack of proper toilet facilities along with lack of awareness of the importance of sanitation is a reason for the same, hence ITC designed its Health & sanitation programme specifically for different age groups and gender to inform and educate people about the importance of sanitation and building awareness to change their behavior or old unhygienic practices; ITC also provides financial assistance to build toilets, along with that it linked its campaigns with 'Swachh Bharat' mission to end the practice of Open Defecation.

9. Solid Waste Management Initiative – Proper disposal of waste is a big deal especially in rural and widely populated areas, where the rate of waste generation is higher than that of proper waste disposition, accumulation of waste is posing a threat to health of society as well as nature. ITC's well

being out of waste programme (WOW) and other waste management projects are working with Municipal Corporations to provide training in to rag pickers and waste workers on waste segregation to create an efficient waste collection system, which would eventually reduce the quantity of waste going to landfills and the dry waste would serve as raw material to paper, plastic, glass industries. Along with that, this served as a regular income source for Rag pickers and other waste management workers.

### Aligning with SDGs

ITC strives to align its objectives with that of UN's framework on 'Climate Change' as that is the most supreme way of contributing to social and environmental good, UN's SDGs are a part of objectives as the company understands that collective action at the individual level will contribute to the fulfillment of the goals. SDGs present a fresh outlook towards the major problems which the world at large is facing, be it poverty, illiteracy, hunger or climate change. ITC understands its responsibility as a global citizen to contribute its bit in achieving these widely accepted Sustainable Development Goals and is working in the same area. For instance, The ITC paperboard business is supporting the poor tribal by enabling them to convert their wasteland into clone sapling plantations, which are developed through intensive research undertaken by the ITC R&D (Research & Development) team, not only this but the company is helping them by providing required technical training so that tribes can grow and manage their plantations themselves, and the most impressive point is that ITC is not binding them by any contract, they can sell to any willing buyer or company if they want. No doubt that the company is contributing to the economic development of the nation.

**Table 1 : Financial Details**

Total profit after Tax (As on 31.03.2018)	Rs. 11,223.25 crores
Total spending on CSR	Rs. 290.98 crores
Actual (as a percentage of profit after tax)	2.59 %

(Source: ITC Reports & Accounts 2018)

It is clear from the **Table 1** that the company spent more than 2% (i.e. the prescribed limit) on CSR activities in 2018. According to an article published in The Economic Times, ITC was amongst the top spenders in terms of CSR expenditure.

### Social V/s Sustainable

Sustainability has three aspects, which are environmental, social & economic. Social responsibility or CSR is a part of sustainability which means to run a business ethically & responsibly. Sustainability means to achieve a balance in meeting present or current requirement along with taking into consideration the future potential requirement. Sustainability is a practice, its scope is broad. CSR is a tool to put into the practice of sustainability. CSR is about organizations' assuming their responsibility for the impact (good or bad) they have on environment, society or economy. CSR is a tactic used by the companies to differentiate themselves from others; it's often used as a tool for brand promotion or enhancing goodwill or making up for the unethical practices just like in case of ITC, Cigarettes and leaf tobacco is the main business of the company, there is no doubt that such

products are detrimental to health and well being of people, on one hand, ITC is taking actions to promote well being of society while on another side, it is the providing and promoting consumption of tobacco, hence all the actions and initiatives undertaken seem to downplay the truth, that it is actually the company's product which is a threat to well being of people. Simply printing "Smoking is injurious to health" is not enough as the product is actually injurious not only to those who consume it but also for those who live with them. These social actions are not sustainable until a company makes its product sustainable.

## Conclusion

The study discusses the CSR practices of ITC; the company is considered as one of the most responsible corporates which is evident from the praiseworthy actions which ITC is taking in the area of conserving natural resources, generating employment and imparting knowledge. The company conveys a very important and relevant message through its actions, that, Social and Environmental troubles require a collective effort in order to be eradicated; hence there is an urgent requirement of making efforts in the same direction with a similar sense of urgency by all the business and industry leaders. The business alone can't bear the flag of social responsibility; it requires the support of government and society as well. It requires the government to come up with policies that support and encourage sustainable and responsible business practices and need consumers to apply good judgment by supporting those companies which exhibit unwavering commitment for working for the betterment of people and society. There is no universal method of practicing sustainability, and different organizations practice it through different means according to their competency. CSR is imperative as this helps the business to make a positive impact on the society from which it gets all its resources, but companies use CSR as per their convenience, making their own definitions, they focus more on doing what they can do to subdue the effect of their unethical products or practices. Businesses can't thrive without profit and society can't thrive without responsible businesses, hence a balance between growth and sustainability of all spheres, be it economy, society or environment is essential for a complementary sustainable development.

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