

CSR INITIATIVES AND ECONOMIC DEVELOPMENT: A CRITICAL ANALYSIS WITH SPECIAL REFERENCE TO ITC LIMITED



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ABSTRACT

Social responsibility of business has been one of the most talked about and widely supported subjects. Over the few decades in India and rest of the world corporate social responsibility become comprehensive one enough to include anything which able to welfare of the community as a whole. Business organizations are an integral part of the community where they are operating there functions. Corporate Social Responsibility is a conceptualization of corporate groups responsiveness towards various groups such as customers, employees, environment, societal groups etc. As a concept CSR has gained momentum recently in India, but as a way of life Indians have practiced since times immemorial to affects social welfare and social well beings. In this research paper the researcher tries to critically analyze about the CSR initiatives through which economic development takes place in case of ITC Limited. The whole study is based on secondary data which is exploratory in nature. The outcome of this paper reveals about the performance as well as activities of ITC Limited as a part of corporate social responsibility towards economic development of the rural folk.

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INTRODUCTION

Corporate Social Responsibility is a concept that has become dominant in business reporting. Every corporation has a policy concerning CSR and produces a report annually detailing its activities. The concept of business having a responsibility towards society can be traced back to medieval artisans caring for the local tribes and villagers, but formally appeared in the United States around the start of the twentieth century (Herald, 1970). Corporations began to establish foundations where corporate wealth was distributed to specific special causes or nonprofit organizations. CSR occurs when a business firm consciously and deliberately acts to enhance the social well-being of those whose lives are affected by the firm's operations. This core generic meaning of CSR signifies that it may be present in a wide variety of business and economic contexts, from the smallest firms and simplest firms to the largest and most complex organizations. CSR connects the two pillars of the society-business operations with human communities' social system and institutions creating an organic linkage of the business and society. The main purpose of this relationship is to achieve a balance between the firm's economic operations and society's aspirations and requirements for community welfare. A quote from Ishavaishya Upanishad describes, "All that exists in this universe is the abode of the Almighty; therefore enjoy the good things in life by giving them out with others. Do not crave the belongings of others".

CSR LEGISLATION IN INDIA

The companies Act 2013 made a notification on February 27, 2014 under Section 135 that CSR is compulsory for all companies, government or private or otherwise provided they meet any or one or more of the following fiscal criteria (9):

- 1 The net worth of the company should be Rs. 500 crores or more,
- 2 The annual turnover of the company should be Rs. 1000 Crore or more
- 3 The annual net profit of the company should be at least Rs. 5 Crores.

If the company meets any one of the three fiscal conditions, it must have to create a committee to enforce its CSR mandate, which includes at least three directors, out of which one should be an independent director. This committee should have the responsibility of

1. Creation of an elaborate policy to implement CSR activities,
2. Allocate and audit the money for different CSR purposes,
3. Issuing of annual report on the various CSR activities,

The committee must ensure that the local issues and regions are looked into first as a part of CSR activities.

The Company Act, 2013 also put Schedule (VII) where CSR activities are listed. The activities are eradicating hunger and poverty, promotion of education and employment, livelihood enhancement projects, promoting gender equality, women empowerment, hostels for women and orphans, old age homes, daycare, environmental sustainability, protection of flora and fauna, contribution to PM Relief fund, measures to benefit armed forces veterans, war widows and dependants, promotion of sports and rural development projects.



As a company whose fiscal criteria falls according to the Companies Act, 2013 has to ensure that at least 2 percent of the net profit earned by the company is spent on CSR-related activities.

SIGNIFICANCE OF THE STUDY

Corporations are creatures of society and should therefore respond to the demand of society. Now a day ignoring the societal part of organization, it is impossible to survive in the long run. The long-term self-interest of business is best served when business assumes social responsibility. So it is very much relevant to study how corporations are engaging themselves in up liftman of the community as a whole. Again, if the business does not assume social responsibility voluntarily, the government will intervene. The researcher, through this study, tries to analyze the responsibility towards the community of ITC Limited, which helps eradicate hunger and poverty, economic development of the targeted rural areas.

LITERATURE REVIEW

Teodorescu M & Lonescu D. (2014), in their paper entitled "Corporate social responsibility-Sustainability and profitability," tries to study about the theoretical framework of sustainability and how does it help in increasing the profitability of an organization. Through this paper, the researcher provides guidelines for developing of engagement plan in CSR activities. Different action plans of corporate social responsibility for environmental sustainability, community and social involvement, and ethical marketing practices for corporate social responsibility are discussed.

Shyam R. (2016) in his research paper entitled, "*An analysis of corporate Social Responsibility in India*" studied the concept of CSR, its development, challenges and policies governing CSR and various CSR initiatives in India. The paper is exploratory research based on secondary data. In this paper, several Indian corporations CSR activities were studied as of Welspun Energy Ltd, which initiate programs like Training the trainer enrolling children in schools, healthy baby competition, and Skill Development for women. HUL depends on sustainable sources of raw materials and is committed to minimizing the environmental impact, improving sustainability throughout the value chain. Elin Appliances has pledged an amount to 2% of profit after tax on a yearly basis for the company's CSR initiative. However, some challenges are facing in implementing CSR activity which, according to the paper, lack of community participation, need to build local capacities, and non-availability of well-organized NGO.

Zelazna A, Bojar M & Bojar E (2020). in their paper entitled, "Corporate Social Responsibility towards the Environment in Lublin Region, Poland: A comparative study of 2009 and 2019," tries to present research findings from the study carried out in 2019 and compare these findings within the study carried out in 2009, in order to identify and analyze the most frequent environmental activities undertaken by enterprises operating in the Lublin region. The researcher used the ranking method, and last 10 years respondents' opinion were shown on the most effective economic instruments used in pursuing ecological policies remained unchanged. The researcher pointed out that enterprises take social responsibility very seriously, undertakes efforts to reduce their negative impact on the environment and



the health of their employees. The study also reveals that businesses most often undertake environmental protection activities that are aimed at minimizing waste and emissions to water and soil through innovative technologies and investment in pro-environmental infrastructure.

OBJECTIVES OF THE STUDY

To study the CSR activities of ITC Limited in the field of economic development through eradication of poverty.

METHODOLOGY

This research study is basically explorative in nature and used secondary sources of data from journals, annual reports, magazines, books, and relevant websites of the respective company. The researcher undertakes the study with special reference to ITC Limited.

COMPANY PROFILE

ITC Limited is one of India's foremost private sector companies with a gross sales value of Rs. 76097.31 Crores and net profit of Rs. 15136.05 Crores (as of March 31, 2020). ITC Limited has a diversified presence of FMCG, Hotels, Packaging, paperboards & Specialty papers, and agribusiness. ITC Limited aspiration to be an exemplar in sustainability practices is manifest in its status as the only company in the world, of its size and diversity, to be carbon, water, and solid waste recycling procedures. ITC Limited value chains create a sustainable livelihood for more than 6 million people, a majority of whom represent the poorest in rural India.

ITC LIMITED CSR POLICY

Recognizing that business enterprises are economic organs of society and using societal resources, ITC Limited believes a company's performance must be measured by building economic, social, and environmental capital to enhance social sustainability. The policies are:

1. To direct ITC Limited's CSR programs like enhancing environmental and natural capital, supporting rural development, promoting education, providing preventive healthcare etc.
2. To engage in skill-building and vocational training to enhance employability and generate livelihood for persons from a disadvantaged section of society.
3. To carry out CSR activities in local areas to fulfill commitments arising from a request by Government/regulatory authorities and to earmark enterprise social responsibility activities.
4. To provide equal opportunities to beneficiaries of the company's CSR program as vendors or employees on a merit basis.

ITC Limited implements its CSR Programme through Company personnel or through agencies, ITC education trust, Rural Development Trust, ITC Sangeet Research Academy etc.

CSR INITIATIVES AND ECONOMIC DEVELOPMENT



Agriculture holds a key position in India's sustainable development story. The Indian Agriculture sector is facing several challenges, such as low productivity, dependence on rain, need for high resources and footprints in terms of water use, climate change, farmer distress, and the inability to create next-generation farmers with agriculture. Governments began to use agriculture analytics to provide real-time governance. (Sreeya, 2020) In this context, ITC Limited provides a unique opportunity to engage with farmers across the country and helps to face the challenges confronting them.

NITI AAYOG AND ITC LIMITED PARTNERSHIP

ITC entered into a partnership with NITI Aayog in 2018 for the improvement of agriculture and allied sector in 27 districts of 8 states (Assam, Bihar, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, and Uttar Pradesh) under Mission Sunehs Kal.

The project targets building the capacity of government extension staff to create a cohort of Master-Trainer to disseminate sustainable agriculture practices amongst farmers. The training contents were developed in consultation with Consultants of agriculture universities and Krishi Vigyan Kendras, and kits for training were designed in 4 local languages, namely-Hindi, Marathi, Assamese, and Odiya, for 15 major Kharif and rabi crops.

In addition, ITC Limited trained farmers directly by establishing farmer's field schools to provide field demonstrations in 1350 villages.

Table 1: Information related to ITC Limited Farmers Training Programme

Year	Activities undertaken
2019-20	a. 6011 government staff were trained as Master Trainer and village resource person. b. 9.73 lakhs farmers were trained, and additional 2.43 lakhs farmers were trained through ITC Farmers Field Schools
2018-19	a. 15.58 lakhs of farmers have been trained under this program.

Source: Author compilation

ITC Limited also undertakes some additional instrumental activities that have a positive impact on agriculture and allied sector livelihoods.

1. Create awareness amongst farmers on various Government schemes and helps farmers in applying for those schemes.
2. Recommended improvements based on stakeholder's feedback to NITI Aayog for 10 major agriculture schemes.
3. Assessed e-nams are operating in the 27 districts.

LEVERAGING E-CHOUPAL FOR ENABLING MARKET ACCESS

The ITC Limited e-choupal Network leverages information technology to empower farmers in terms of infrastructure, connectivity, price discovery, and market access. The e-



choupal network raises farm productivity and enhances farmer income through value chain reorganization. The ITC Limited e-choupal was launched in June 2000 today is the largest initiative among internet-based intervention in rural India. It has empowered more than 4 million farmers in over 35000 villages through 6100 kiosks spread across ten states.

The ITC Limited e-choupal has expanded to over 80,000 registered users and provides access to weather information, a crop-specific package of practices, and a social forum for sharing their ideas.

CREATING SUSTAINABLE LIVELIHOOD

ITC's formidable distribution network covers over 1, 00,000 markets and over 6 million retail outlets directly and indirectly across various trade channels. Suneha Kal of ITC is committed to empowering grassroots institutes to enable communities to independently manage their resources and become change agents without having to depend on external agents.

Table 2: Performance of ITC Limited Mission Suneha Kal

Initiative	Achieved till 2019-20
Sustainable Livelihood Today	
Social Forestry	364240 Acres
Sustainable Agriculture	567737 Acres
Biodiversity Conservation	17456 Acres
Watershed Area	1133703 Acre
Water harvesting Structure	18985 No's
Creating capabilities	
Children Covered	775013 No's
School Covered	1842 No's
Youth Enrolled	81510 No's
Toilet Constructed	37594 No's
SWM Households	313228 No's

Source: ITC Sustainability Report, 2020



INTEGRATED ANIMAL HUSBANDRY PROGRAMME

This Programme provides an opportunity for farmers to diversify their livelihood portfolio and reduce primary dependence on agriculture by enhancing productivity. This program provides extension services in 19 districts of 5 states. During 2019-20 about 1.38 lakhs of artificial insemination was carried out, leading to the birth of 0.56 lakhs of high-yielding progenies. In addition, 70032 cattle belonging to 40989 dairy farmers of 484 villages in 8 districts of Bihar and 2 districts of West Bengal were supported through 474 training programs.

CHALLENGES IN IMPLEMENTING CSR

A lack of understanding, inadequately trained personnel, non-availability of authentic data-specific information on the kinds of CSR activities coverage, the policy further adds to the reach and effectiveness of the CSR Programme. The success of CSR lies in participating in it as a core part of a company's development strategy. The corporate sector needs to identify, promote and implement successful policies and practices that achieve triple-bottom-line results. It is a joint and shared responsibility of social activists and government.

RECOMMENDATIONS

1. CSR should not be seen simply as the spending of financial resources but the smart spending of CSR resources.
2. CSR activities should be based on expert data. Companies should not blindly spend fiscal resources but must rely on the recommendations of a research institute so that companies' efforts result in actual benefits of social problems.
3. Companies engaging CSR related activities should collaborate with the people on the grassroots level that means those who are supposed to receive their CSR benefits. These practices will help them understand and realize what actually people of the area need and their actual problems.
4. For better implementation of CSR of the Company have to build support with senior management and employees. Research and development should conduct time to time for getting an updated mechanism of CSR strategy.

CONCLUSION

Social responsibility is an important and relevant topic in the modern business era. In addition to business leaders are always try to lead values in terms of legal, moral, and social. ITC India Ltd is one of the private sector companies that engage in corporate social responsibility activities that lead to the nation's sustainable development. ITC involves eradicating poverty through different initiatives, Partnerships with NITI Aayog, agricultural development as well marketing and animal husbandry, and many more. It was observed from the study the ITC contributes to social responsibility a lot, and the rural folk has to serious about the schemes that are targeted for economic development.



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