

CORPORATE SOCIAL RESPONSIBILITY IN FMCG INDUSTRY IN INDIA

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ABSTRACT

Corporate Social Responsibility (CSR) is an important aspect of business operations in today's global economy. CSR is a business model through which companies put in efforts to have a strongly positive impact on their stakeholders such as customers, employees, suppliers, even the government and many other parties which are affected by the decisions of the company and those whose decisions affect the operations of the company. CSR is that tool which allows the companies to practice a corporate identity that satisfies the needs of the society involving economic, social, and environmental needs. If we break the term corporate social responsibility into three parts we can infer in simple terms its meaning. Corporate referring to the organizations, companies, social referring to the people, and responsibility which is something the company is ought to do. Thus, corporate social responsibility in simple terms means those activities which a company is ought to do towards the society in order to have a positive impact on the environment (political, legal, social, economic, and technological). The Fast-Moving Consumer Goods (FMCG) industry is one of the largest and most important industries in India, with a significant impact on the economy and society. This research paper aims to examine the CSR practices of FMCG companies in India and their impact on society and the environment. FMCG products are those that are sold quickly at relatively low prices and are consumed on a daily or regular basis. Examples of FMCG products include packaged food, personal care products, household cleaning products, and beverages. The industry has experienced rapid growth over the past few decades, driven by factors such as rising incomes, urbanization, and changing consumer preferences. CSR refers to the voluntary actions that companies take to address social, environmental, and economic issues in their operations and in the communities where they operate. The concept of CSR is gaining importance in India, with companies

increasingly recognizing the need to contribute to society and the environment beyond their core business activities. The paper talks about the CSR practices in the FMCG industry in India that have a positive impact on society and the environment, and are viewed as important by stakeholders.

Keywords: Corporate Social Responsibility (CSR), Fast-Moving Consumer Goods (FMCG), Impact on Society, Legal Mandates, Section 135 of Companies Act, 2013, CSR in India.

INTRODUCTION

Corporate Social Responsibility (CSR) is a concept that describes a company's responsibility to operate in a way that is socially, economically, and environmentally sustainable. It is a voluntary initiative that goes beyond the legal obligations of a company, and seeks to contribute positively to society and the environment. In essence, CSR is about businesses taking responsibility for their impact on society and ensuring that they operate in a way that benefits not only their shareholders, but also their employees, customers, suppliers, the communities in which they operate, and the environment.

CSR involves a wide range of activities, including ethical business practices, philanthropy, environmental sustainability, employee volunteerism, and community engagement. Companies that embrace CSR often have a positive impact on society, create a more engaged workforce, and build strong relationships with customers, suppliers, and other stakeholders. In addition, CSR can help companies manage risks and enhance their reputation, which can be a valuable asset in today's competitive marketplace.

In recent years, CSR has become an increasingly important part of business strategy. Consumers, investors, and other stakeholders are increasingly demanding that companies take a more active role in addressing social and environmental issues. Companies that fail to embrace CSR risk damaging their reputation and losing market share to competitors that do. As such, CSR is not just a moral imperative, but also a strategic imperative for companies that want to succeed in the long term.

Corporate Social Responsibility (CSR) has become an integral part of the business strategy of Fast-Moving Consumer Goods (FMCG) companies in India. These companies recognize the importance of giving back to society and have taken several initiatives to contribute to social, economic, and environmental development.

Corporate Social Responsibility (CSR) practices refer to a company's voluntary activities and initiatives to address social and environmental issues beyond its legal obligations. CSR practices can have a significant impact on society and the environment, both positive and negative. Following are the positive impact:

Environmental conservation:

Many companies implement CSR practices to reduce their environmental footprint by using renewable energy, reducing waste, and promoting sustainable practices. This can help to protect natural resources and reduce pollution.

Social responsibility:

CSR practices often include initiatives aimed at promoting social responsibility, such as investing in education, health, and community development. This can have a positive impact on the welfare of local communities and society as a whole.

Ethical business practices:

CSR practices can promote ethical business practices such as fair labor standards, transparent reporting, and responsible sourcing. These practices can help to promote human rights and prevent exploitation.

Following are the negative impacts:

Greenwashing:

Some companies may engage in greenwashing by making false or exaggerated claims about their environmental impact. This can mislead consumers and undermine genuine efforts to promote sustainability.

Lack of transparency:

Some companies may not be transparent about their CSR practices or may engage in unethical practices despite claiming to be socially responsible. This can undermine trust in the company and its efforts to promote sustainability.

Negative externalities:

Some CSR practices may have unintended negative consequences. For example, a company may invest in a project aimed at promoting economic development, but the project may have negative environmental or social impacts on local communities.

RESEARCH OBJECTIVES

- ✓ To examine the CSR practices of top FMCG companies in India.
- ✓ To assess the impact of CSR practices on society and the environment.

HISTORY OF CSR IN INDIA

Companies have been utilizing Corporate Social Responsibility (CSR) for many years as a means of giving back to society. Although the modern-day concept of CSR began to take shape in the early 1950s, its roots can be traced back to the Industrial Revolution.

The idea of responsible companies has existed for over a century, but it wasn't until American economist Howard Bowen's publication *Social Responsibilities of the Businessman* in 1953 that the term Corporate Social Responsibility was officially coined. Bowen is often referred to as the father of CSR.

The Committee for Economic Development introduced the concept of the 'social contract' between businesses and society in 1971. This contract suggests that companies exist and

function with public consent, and therefore have an obligation to contribute to the needs of society.ⁱ

In the past, Corporate Social Responsibility (CSR) was seen as a philanthropic exercise that was separate from business operations. It was akin to building research and educational institutions. However, there has been a shift in thinking among companies, which now view CSR as a form of strategic philanthropy that is linked with responsibility and aimed at community development through various projects. It is no longer seen as a mandatory exercise, but rather a voluntary investment of capital and resources to benefit society and enhance a company's reputation.

The reason for this shift is that CSR is not compulsory, but rather a “comply or explain” responsibility. Companies can choose to explain why they did not undertake CSR initiatives, but it is no longer a mandatory requirement. As a result, more companies are investing in areas such as road safety, pollution control, and slum development, and aligning their CSR efforts with the objectives of government schemes such as “Skill India” and “Swatchh Bharat.” Some companies are even contributing to the Prime Minister Relief Fund.

One might question why companies only invest in certain areas, such as road safety and pollution control, and not in other areas like arts and culture, conservation of animals, or rural sports development. The answer is that investing in traditional areas tends to benefit a larger group or community.

Larger organizations often create their own foundations to support causes they champion. Other companies invest in the upliftment of communities they operate in or come from. Companies that have traditionally undertaken CSR initiatives, whether mandated by law or not, use this opportunity to review and streamline their investments to comply with legal requirements.ⁱⁱ

The cultural norms of corporate social responsibility (CSR) in India have evolved over time, referring to the way businesses are managed to positively impact the communities, cultures, societies, and environments in which they operate. The development of CSR in India after independence can be divided into four stages.

During the first stage, which occurred primarily before independence, the limited number of Indian companies saw CSR as nothing more than charity and philanthropy. Contributions to society were mostly influenced by caste groups and political objectives.

The second stage, which occurred during the national movement period and post-independence, saw the influence of Gandhian philosophy of wealth, which emphasized trusteeship. Companies such as TATA group were influenced by this idea and used it as a means of giving back to society. However, the concept of trusteeship was criticized for being in favour of the wealthy and capitalists.

During the third stage, the rise of Indian corporate culture and the emergence of public sector undertakings led to a focus on wealth maximization. CSR was not a priority during this period as companies focused on transparency and competition.

The fourth stage was the most important in terms of CSR. The economic and financial reforms undertaken by the Indian government during globalization and economic liberalization created a peaceful environment for companies to start new ventures and encouraged existing companies to expand. Companies such as Infosys and Ambani group emerged as new destinations of corporate power, and charitable trusts were established, such as the Infosys Foundation and the Reliance Foundation. Companies also joined hands with NGOs to engage in CSR activities, focusing on education, malnutrition, and women's empowerment.

Currently, companies in India are striving to maximize their overall impact on society and stakeholders apart from earning profits. They are focusing on building their brand image and are forced to be more socially responsible.ⁱⁱⁱ

LEGAL MANDATE FOR CSR

India became the first country to legally require Corporate Social Responsibility (CSR) on April 1, 2014. Section 135 of the Companies Act, 2013 states that companies whose net worth is INR 500 crore or more or whose turnover is INR 1,000 crore or more, or whose net profit is INR 5 crore or more must mandatorily establish a Corporate Social Responsibility Committee of the Board consisting of three or more directors where one director must be an independent

director. The Board must provide with report under section 134(3) where it must disclose the composition of the CSR Committee.

The CSR Committee must:

- (a) create and recommend to the Board a CSR policy that outlines the company's activities in areas specified in Schedule VII;
- (b) suggest the amount of money to be spent on CSR activities; and
- (c) monitor the company's CSR policy.

The Board of each company as per Section 135 (1) must:

- (a) approve the CSR policy for the company after considering the CSR Committee's recommendations and disclose the contents of such policy in the Board's report and on the company's website;
- (b) ensure that the company undertakes activities that are included in the CSR policy; and
- (c) ensure that the company spends at least two percent of the average net profits made during the previous three financial years on CSR activities.

Companies must give preference to the areas surrounding them for spending the earmarked amount. If a company fails to spend the amount, the Board must state the reasons in its report and transfer the unspent amount to a fund specified in Schedule VII. If a company spends an amount in excess of the requirement, it can set off the excess against the requirement for the following years.

Any amount remaining unspent under Section 135 (5), if used for an ongoing project that fulfils the prescribed conditions under the CSR policy, must be transferred to a special account called the Unspent Corporate Social Responsibility Account within thirty days of the end of the financial year. The company must spend this amount on CSR activities within three financial years; if it fails to do so, it must transfer the same to a fund specified in Schedule VII within thirty days of the completion of the third financial year.

If any company fails to comply with Section 135 (5) or (6), it will be liable for a penalty equal to twice the amount required to be transferred or one crore rupees, whichever is less. Every officer of the company who is in default will be liable for a penalty equal to one-tenth of the amount required to be transferred or two lakh rupees, whichever is less.

The Central Government may issue general or specific directions to a company or group of companies to ensure compliance with this section.

Companies that need to spend less than fifty lakh rupees under Section 135 (5) are not required to constitute a CSR Committee, and the Board of Directors will perform the functions of the CSR Committee in such cases.

Today, CSR is widely accepted among shareholders and stakeholders in India, and the term has become a new normal for Indian organizations. CSR focuses on using profits to benefit society and is viewed as an integral part of a company's sustainable development.

Large corporations recognize that CSR is essential for achieving sustainable economic development and the triple bottom line of economic, environmental, and social performance. In India, the term CSR encompasses related concepts such as sustainable development, corporate citizenship, and stakeholder management. Indian companies see CSR as a commitment to working with employees, families, local communities, and experts to improve lives in ways that benefit both the business and its development.

Public sector organizations in India view CSR as a crucial component of sustainable economic development, and businesses in India are committed to operating in a socially responsible manner while considering the wider interests of the community and the environment.

FMCG COMPANIES THAT SUCCESSFULLY IMPLEMENT CSR

Proper implementation of corporate social responsibility in Fast-Moving Consumer Goods industry aids to improve customers' perception of the brand making them become loyal towards brand. Not only customers it also attracts and retains employees as it makes them believe that the organization will give prior importance to retaining of the employees through

fulfilment and satisfaction of social and moral needs boosting their motivation and morale. Good CSR activities and practices retains the goodwill and reputation. it also leads to an increase in investment.^{iv}

Following are the top four FMCG companies in India with a well-established brand name, it is explained that how they have been performing good CSR activities.

1. Hindustan Unilever Limited (HUL):

HUL has implemented several CSR programs, including Project Shakti, which aims to empower rural women entrepreneurs by providing them with training and livelihood opportunities. The company also runs a program called Swachh Aadat Swachh Bharat, which focuses on promoting good hygiene and sanitation practices.

HUL is dedicated to conducting its business in a socially responsible manner, with a focus on reducing the environmental impact of its operations and increasing positive social impact, while also growing its business. The company has invested more than 500 crores in its CSR efforts in the past five years, and has consistently exceeded the mandated CSR funding requirements.

To address the developmental issues plaguing India, Hindustan Unilever Limited utilizes its CSR funds. The company has made significant progress in water conservation and addressing health and hygiene issues at the grassroots level.

The Hindustan Unilever Foundation (HUF) serves as the vehicle for implementing the company's CSR initiatives. The non-profit organization is responsible for coordinating water management, community development, and sustainability initiatives undertaken by Hindustan Unilever Limited. HUF operates the 'Water for Public Good' program, which focuses on empowering local communities to govern water resources and enhance farm-based livelihoods through the adoption of sustainable water management practices. HUF has supported grassroots interventions in 53 districts with 23 NGO partners, covering over 4,300 villages in India since 2010.

2. *Nestlé India Limited:*

Nestlé India has launched the Nestle Healthy Kids Program, which aims to promote healthy eating habits among children. The company also runs a water conservation program called Project WET (Water Education for Teachers), which aims to educate teachers and students about water conservation.

Nestlé India Limited is a prominent company that focuses on Nutrition, Health, and Wellness and has been operating in India for nearly 100 years. From the beginning, the company has been committed to promoting responsible behavior and improving the well-being of the communities around its operations. Nestlé India believes that it is their responsibility to create better livelihood opportunities for the surrounding communities. Their Corporate Social Responsibility (CSR) initiatives are aimed at creating maximum value in specific areas, such as Nutrition, Water and Sanitation, and Rural Development.

With the double burden of malnutrition affecting a significant portion of India's population, Nestlé India's CSR initiatives aim to enhance nutrition awareness among communities, particularly school children. As India is one of the most water-stressed countries globally, Nestlé India's CSR initiatives are designed to help farmers reduce water usage in agriculture, increase awareness of water conservation, and provide access to safe drinking water and sanitation. Additionally, the company's focus on rural development aims to support sustainable farming practices that will enable farmers to thrive alongside the company.

Nestlé India operates with the purpose of “Enhancing the quality of life and contributing to a healthier future”, a mantra that guides its interactions with the community. To this end, the company collaborates with stakeholders such as communities, academia, civil society, and expert organizations. In the financial year 2018-19, Nestlé India Limited spent more than the prescribed 2% on corporate social responsibility programs, with actual expenditure amounting to INR 38.31 crores, surpassing the prescribed CSR expenditure of INR 38.07 crore rupees. Overall, Nestlé India is committed to making a positive difference and creating maximum value for society.

3. *Indian Tobacco Company Limited (ITC Limited):*

ITC Limited has implemented several CSR programs, including the e-Choupal program, which provides farmers with access to market information and other resources. The company also runs a program called the ITC Mission Sunehra Kal, which aims to promote sustainable livelihoods among rural communities.

ITC has been concentrating on its Corporate Social Responsibility (CSR) efforts towards rural development in India. In the fiscal year 2019-20, the company spent Rs. 326.49 crores on various CSR initiatives, exceeding its spending in previous years. The conglomerate is actively involved in social projects that aim to promote education, environmental conservation, sustainable agriculture, healthcare, digital literacy, sports, and culture.

One of ITC's flagship CSR programs is the ITC Choupal, which has been recognized internationally for its impact on community development. The program has provided digital literacy and economic empowerment to lakhs of farmers and has been replicated by numerous other corporates for social welfare in their communities.

ITC has also demonstrated its commitment to putting the nation first by responding to the needs arising from the COVID-19 pandemic. During the first wave, the company initiated a CSR program to enable the creation of an ecosystem that would generate significant livelihood opportunities for farmers and daily wage earners under the government's MGNREG scheme. In the second wave, the company supplied oxygen cryogenic containers, concentrators, and generators to mitigate the crisis. To transport medical oxygen across India, ITC tied up with Linde India to airfreight 24 cryogenic ISO containers of 20 tonnes each from Asian countries. Additionally, the company airlifted a large number of oxygen concentrators for distribution, and its paperboards unit in Bhadrachalam began supplying oxygen to neighbouring areas.

4. *Britannia:*

Britannia's corporate social responsibility (CSR) initiatives in India are primarily focused on addressing nutrition and healthcare concerns within communities. To achieve this goal, the company has established the Britannia Nutrition Foundation (BNF), which runs long-term programs across various states to provide nourishment and promote community development.

The company is committed to reducing, recycling, and recovering plastic in its manufacturing and supply chain, with its research and development (R&D) team exploring ways to minimize plastic usage. Additionally, in response to the COVID-19 pandemic, Britannia's CSR team mobilized its resources to distribute essential foods, such as biscuits and bakery items, to those in need, including daily wage workers, migrant families, and low-income households.

From the analysis of the practices of above four companies we can infer that there are four major CSR activities to be fulfilled that will help a company to reach to its greatest success which are:

CSR has various aspects, one of which is the environment. Despite the size of the business, it is inevitable that they leave a significant carbon footprint. Hence, any action a company takes to reduce its carbon footprint is beneficial not only to the business but also to society.

Another aspect of CSR is philanthropy. Businesses can show social responsibility by donating money, products, or services to charities and non-profit organizations. Even small businesses can make a difference by contributing to a specific cause or program. Contacting the organization directly and inquiring about their specific needs is recommended.

Treating employees fairly and ethically is another way for companies to demonstrate CSR, particularly for businesses operating in international locations with different labour laws. Employee satisfaction is a very difficult task and a company that is highly successful in doing so is known to have been practising good CSR.

Volunteering or participating in local causes is also an excellent way for a company to show its sincerity and support for particular issues and social causes. When companies do good deeds without expecting anything in return, they exhibit concern and support for the community.

INFERENCES AND CONCLUSION

From the above explanations and findings, we can infer that corporate social responsibility just like its name is a broader concept and a difficult task to accomplish. Many organizations thrive to fulfill the necessities and have also achieved great success by keeping its name in the market

and through maintenance of goodwill and reputation. Successful companies like HUL or Nestle as mentioned above for being socially responsible have to first become accountable as well.

For building self, the company takes multiple resources from the society be it natural resources or human resources, what they do in return for the same is corporate social responsibility. We can categorise CSR activities broadly into four categories environmental responsibility, ethical responsibility, philanthropic responsibility, and financial responsibility.

Talking about CSR activities which are environmentally responsible include those such as reduction of pollution, conservation of natural resources which are scarce, keeping in control the wastes and emissions, following the 5Rs of reduce, reuse, recycle, refuse, and, repurpose such as reduction of plastic manufacturing, reusing machineries by replacing parts (saves cost), recycling metal products, refusing to use items causing danger to environment and repurposing such as donating items which are reusable to those in need. Sustainable development is a must to be taken into consideration for environmental responsibility.

Ethical responsibility in CSR activities aim at following the principles of natural justice (such as *audi alterem partem* meaning hearing both sides, and *nemo judex in cause sua* meaning no one should be a judge in his own case), working by not only following the law but also the morals, and fair practices. Transparency in operations, fair prices by keeping in considerations the factor cost as well as the market price, non-discrimination of employees, customer satisfaction, manufacturing products which are not adulterated, etc., all fall under ethical responsibility.

Philanthropic means promotion of welfare of others. Philanthropic responsibility is considered to be the backbone of CSR. This determines whether a company is really fulfilling the task of being socially responsible or not. Philanthropic responsibility includes those activities where a company spends its resources in order to make the society a better place as a return after it has taken the resources from the society. For example, charity, making arrangements of provisions for those in need are philanthropic activities.

Financial responsibility has multiple inferences. Its hold the three other responsibilities of environment, ethics, and philanthropy together. Only when a company has properly planned its finances and budget, it can go forward with the implementation of the major operations and

activities. Spending on ideas and innovations such as research and development could be one of the examples of financial responsibility.

As much as CSR benefits the community, it is also of great value to the company. Engaging in CSR initiatives can create a stronger connection between employees and the corporation, enhance morale, and enable both employees and employers to feel more connected to the world they live in. CSR has also gained legal recognition as a provision in India as per Section 135 of the Companies Act, 2013 making corporate social responsibility to be one of the duties of a company.

ENDNOTES

ⁱ Corporate Social Responsibility: Meaning, Evolution, and Position in India, *available at*: https://lawbhoomi.com/corporate-social-responsibility-meaning-evolution-and-position-in-india/#History_of_Corporate_Social_Responsibility_in_India (Last Visited February 27, 2023).

ⁱⁱ *ibid.*

ⁱⁱⁱ Joshi Babu Palli, 13SSMA35, Corporate Social Responsibility – How the new companies' bill-2013 will affect the lives of people in India.

^{iv} Hency Thaker, FMCG Companies in India that take CSR seriously, *available at*: <https://thecsrjournal.in/fmcg-companies-india-csr-corporate-social-responsibility/> (Last Visited March 1, 2023).