Corporate Social Responsibility: 
Entrepreneurial initiatives of Indian FMCG Industry

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Abstract:
Nowadays business is not just for profit making. Rather, business houses across the globe are realizing their stake in the society and hence they have started undertaking various CSR initiatives voluntarily. As per the clause 135 of the Companies Act, 2013 any company having a turnover of Rs 1000 crore or more or a net worth of Rs 500 crore or more or a net profit of Rs 5 crore or more should mandatorily spend at least 2% of their net profits per fiscal year on various CSR activities. Presently in India, CSR initiatives are taken by many companies. Especially, in the FMCG companies where reducing the packaging material is posing a major challenge. Hence, these companies are working in the field of environment, community welfare, health care, education, women's empowerment and girl child care. The present study explores the existing literature available on Corporate Social Responsibility. The contribution of various renowned researchers towards CSR, starting from the first definition given by Bowen (1953), has lead to the development of existing concept of CSR. Further, the study also elaborates upon the various CSR initiatives taken by the two leading Indian FMCG companies: Dabur India Limited and Hindustan Uniliver Limited in different areas.

Keywords: Corporate Social Responsibility, The Company's Act 2013, FMCG industry, CSR initiatives.

Corporate Social Responsibility: 
An Introduction
Since 1950s, many academicians as well as researchers have contributed towards Corporate Social responsibility by providing various definitions of CSR. These definitions were based on social, economical, political and environmental context of that particular period. The very first definition of Corporate Social Responsibility was proposed by Howard R. Bowen in 1953, which was a great contribution towards academic literature of CSR. Hence, Bowen is also seen as the father of CSR. Carroll (1991) gave the 'Pyramid of Corporate Social Responsibility', where he elaborated four distinct stages of business-economic, legal, ethical and philanthropy. Thereafter, many researchers have contributed towards the concept of CSR. Howard Bowen (1953), Heald (1957), Frederick (1960), Keith Davies (1960), Milton Friedman (1970), Carroll (1979), Hopkins (1998), etc are some of the renowned researchers who have contributed in the field of Corporate Social Responsibility. Hence, the present concept of CSR has evolved over a period of time.
Several terms have come into play which can be used interchangeably with CSR. These terms are Business ethics, Corporate citizenship, Corporate accountability, Sustainability and Corporate responsibility. CSR in modern business practices is also referred to as “Responsible Competitiveness” or “Corporate Sustainability”. CSR broadly caters to the issues related to business ethics, community investment, environment, governance, human rights, the market place and the workplace. Further, CSR tries to achieve legal, ethical, commercial and other expectations society has for business. Simultaneously, it also caters to the needs of all stakeholders. 

CSR involves a wide range of stakeholders. An organization's stakeholders include: shareholders, non-governmental organizations, business partners, inter-governmental bodies, regulators, lenders, insurers, investors, consumers, employees and investors.

The concept of CSR lays emphasis upon the fact that companies or organizations can no longer remain as segregated economic entities operating in isolation from the broader society. Further, a large number of researchers believe that firms or organizations can no longer be seen wholly as private institutions; however they can be seen as social institutions instead. Organizations engage themselves into various activities which represent their CSR practices or initiatives. Some of these activities are preserving the environment; protecting the natural resources; promoting education by conducting educational camps, running schools/NGOs and providing scholarship to the needy children; eradicating extreme hunger and poverty; promoting gender equality and empowering women; organizing counseling sessions and awareness programs for combating various diseases. Hence, a socially responsible enterprise or organization is the one which not only takes care of its customers but also takes into account its employees, suppliers, dealers, local communities and the nation.

This study explores the existing literature available on Corporate Social Responsibility. The contribution of various renowned researchers towards CSR, starting from the first definition given by Bowen (1953), has lead to the development of existing concept of CSR. In the present scenario, the trends have changed and CSR not only affects the company's goodwill and status but also governs the company's fiscal performance. Hence, companies in different sectors are seen actively contributing towards various CSR activities. Further, the study also elaborates upon the various CSR initiatives taken by the two leading Indian FMCG companies: Dabur India Limited and Hindustan Uniliver Limited in different areas.

The Companies Act, 2013 and Corporate Social Responsibility

In India, clause 135 of the Companies Act, 2013 governs the concept of CSR and has received the consent of the President of India on 29 August, 2013. The CSR provisions within the act is applicable to companies with an annual turnover of Rs 1000 crore and more or a net worth of Rs 500
As per the new rules, which are applicable from the fiscal year 2014-2015 companies also require to set up a CSR committee consisting of their board members, having at least one independent director. The act encourages companies to spend at least 2% of their average net profit on CSR activities, in the previous 3 years. Hence, the profit has been defined as the profit before tax as per the books of accounts, excluding the profits arising from branches outside India.

Under schedule VII of the Companies Act, 2013 the following specified list of activities can be undertaken by a company implementing CSR:

- Promotion of education
- Promoting gender equality and women empowerment
- Eradication of extreme hunger and poverty
- Reducing child mortality and improving maternal health
- Combating HIV-AIDS, malaria and other diseases
- Ensuring environmental sustainability
- Social business projects
- Employment enhancing vocational skills
- Contribution to Prime Minister's National relief fund or any other fund set up by the Central government or the State government for socio-economic development and funds for the welfare of the scheduled castes, scheduled tribes, other backward classes, minorities and women
- And such other matters may be prescribed

Literature review:

Literature review in the context of Corporate Social Responsibility in general:

Shanmugam (2013) made an effort the status of CSR activities relating to environment in Indian manufacturing sector. For this study data is collected through a survey of 50 manufacturing companies of automobile, cement, chemical, pharmaceutical and textile sectors. It was found that environment CSR has emerged as corporate focus in selected manufacturing units. Further suggestions were also provided for the enhancement of environment CSR in the Indian manufacturing units.

Fuzi, Desa, Hibadullah and Zamri (2012) have examined the structural relationship between CSR practices and CSR performance in Malaysian Automotive industry. For examining the relationship a conceptual model was also proposed. The author has also explored CSR practices (employee involvement, customer focus, environment, corporate governance, human right, community and society) and corporate social responsibility performance. Further, it was concluded that there is a positive relationship between CSR practice and CSR performance in Malaysian automotive industry.

Gautam and Singh (2010) have explored various definitions and concepts given by different authors. They have also elaborated upon development of CSR in India and the current CSR practices of Indian companies. The authors had chosen India's top 500 companies, identified their key CSR practices and have tried to map these against Global Reporting Initiative standards. They further concluded that in the recent past the trends have changed and now CSR not only affects a company's image and goodwill but it also governs financial performance of the company.

Baughn et al. (2007) has scrutinized two aspects of CSR practices in 15 Asian countries. These two aspects are social and environmental. Strong relationships were found between CSR and country's economic, political and social contexts.
Various definitions as proposed by different authors have been identified while reviewing the available literature:

<table>
<thead>
<tr>
<th>Authors</th>
<th>Definitions of Corporate Social Responsibility</th>
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<tbody>
<tr>
<td>Howard Bowen (1953)</td>
<td>CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society.</td>
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<td>Heald (1957)</td>
<td>CSR is recognition on the part of management of an obligation to the society it serves not only for maximum economic performance but for humane and constructive social policies as well.</td>
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<td>Frederick (1960)</td>
<td>Social responsibility means that businessmen should oversee the operation of an economic system that fulfills the expectations of the people. And this means in turn that the economy’s means of production should be employed in such a way that production and distribution should enhance total socio-economic welfare.</td>
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<td>Keith Davies (1960)</td>
<td>Corporate Social Responsibility refers to businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest.</td>
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<td>Clarence Walton (1967)</td>
<td>In short, the new concept of social responsibility recognizes the intimacy of the relationships between the corporation and society and realizes that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals.</td>
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<td>Milton Friedman (1970)</td>
<td>There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.</td>
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<td>Harold Johnston (1971)</td>
<td>A socially responsible firm is one whose managerial staff balances a multiplicity of interests instead of striving only for larger profits for its stockholders.</td>
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<tr>
<td>Carroll (1979)</td>
<td>The social responsibility of business encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point of time.</td>
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<tr>
<td>Thomas M. Jones (1980)</td>
<td>Corporate Social Responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract. Two facets of this definition are critical. First, the obligation must be voluntarily adopted; behavior influenced by the coercive forces of law or union contract is not voluntary. Second, the obligation is a broad, extending beyond the traditional duty to shareholders to other societal groups such as customers, employees, suppliers, and neighboring communities.</td>
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<tr>
<td>Epstein (1987)</td>
<td>Corporate social responsibility relates primarily to achieving outcomes from organizational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects on pertinent corporate stakeholders. The normative correctness of the products of corporate action has been the main focus of corporate social responsibility.</td>
</tr>
<tr>
<td>Gray, Owen &amp; Maunders (1987)</td>
<td>CSR is defined as “the process of communicating the social and environmental effects of organizations economic actions to particular interest groups within society and to society at large.”</td>
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<tr>
<td>Hopkins (1998)</td>
<td>Corporate social responsibility is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. Consequently, behaving socially responsibly will increase the human development of stakeholders both within and outside the corporation.</td>
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William C Frederick (1999) | Social responsibility in the final analysis implies a public posture towards society’s economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms.

ISO 26000 Working Group on Social Responsibility, Sydney (2007) | “Social responsibility is the responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is the compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization”.

Lord Holme and Richard Watts (2010) | Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

European Commission | CSR is described as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

World Business Council for Sustainable Development | CSR is defined as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.

United Nations Industrial Development Organization (UNIDO) | Corporate social responsibility is defined as a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is a way in which companies achieve a balance of economic, environmental and social imperatives.

Source: Author's own compilation

**Literature review with reference to FMCG Industry:**

Sharma and Kiran (2012) have made an effort to understand the status, progress and initiatives made by large firms of India in context to CSR policy framing and implementation. CSR initiatives in context to health, education and environment sector were identified from the literature. For the study data has been collected from the official websites of the firms, in person interviews and through structured questionnaire. All the identified CSR initiative factors have been rated on the scale of 1 to 5. It was found that IT and Auto industry are more actively involved in taking up CSR initiatives while FMCG sector has yet to focus into the social responsibility initiatives.

Khan (2010) emphasized that effective CSR initiatives should be taken keeping in mind all the stakeholder's issues including legal, ethical, commercial and other expectations which society has for business. In India CSR initiatives are taken by many companies. FMCG companies are facing the major challenge of reducing the packaging material. Hence these companies are actively involved in the field of environment, health care, education, community welfare, women's empowerment and girl child care.

Banerjee et al (2003) recommended that orientation towards environment is the recognition by managers regarding the importance of environmental issues faced by their firms.

**CSR initiatives taken by the two leading FMCG companies:**

**Dabur India Limited:**

‘What is that life worth which cannot bring comfort to others?”

- Dr. S K Burman
Founder, Dabur India Limited

About the company:

Dabur India Limited, a leading Indian consumer goods company started long back in 1884 as an Ayurvedic medicines company. Dabur India aims to provide nature based solutions for a healthy and holistic lifestyle. During the financial year 2014-2015, the business achieved growth of 12.5%. Dabur caters to the needs of people belonging to all age groups, through their widespread range of products. Dabur's product portfolio is broadly categorized as follows:

- **Healthcare products**: include health supplements, digestives, honey, over-the-counter (OTC) products and ayurvedic ethicals.
- **Consumer care products**: include hair care, skin & body care, oral care and home care products.
- **Foods**: include fruit based beverages and culinary pastes business.

Some of the leading brands of Dabur are Dabur Chyawanprash, Dabur Honey and 'Real' range of fruit juices.

Financial Details of the company:

1. Paid up Capital (INR) : 175.65 crore
2. Total Turnover (INR) : 5431.28 crore
3. Total profit after taxes (INR) : 762.58 crore
4. Total spending on Corporate Social Responsibility (CSR) : 1.93% of PAT for the financial year 2014-15

However, total CSR expenditure is 2.01% of average net profits of the company made during the three immediately preceding financial years.

Further, Dabur is also a member of several industrial and trade bodies. These are mentioned below as follows:

1. Confederation of Indian Industry (CII)
2. Federation of Indian Chambers of Commerce and Industry (FICCI)
3. Associated Chambers of Commerce and Industry of India (ASSOCHAM)
4. PHD Chamber of Commerce and Industry (PHDCCI)
5. Indian Beverage Association (IBA)

CSR initiatives taken by Dabur India Limited:

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<tr>
<th>S.No</th>
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<th>CSR initiatives taken</th>
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| 1.   | Eradicating hunger, poverty and malnutrition  | • Programs were launched to fight against malnutrition among street children, general public was also involved in this drive  
  |      |                                              | • Programs to fulfill the nutritional needs of poor and needy                         |
| 2.   | Promoting healthcare including preventive healthcare | • Health camps for poor and needy  
  |      |                                              | • Awareness program for school going children  
  |      |                                              | • Oral hygiene awareness camps in schools  
  |      |                                              | • Healthcare awareness programs for cancer  
  |      |                                              | • Wellness centre to treat people specially of minority community                     |
| 3.   | Promoting sanitation                          | • Sanitation drive in rural households and urban poor to provide access to toilet and sanitation facilities. |
| 4.   | Ensuring environment sustainability           | • Initiatives to protect endangered species of herbs and plants, thereby enhancing livelihood of farmers.  
  |      |                                              | • Tree plantation drive                                                                 |
| 5.   | Promoting education including special education | • Non formal education centres for providing basic education to out of school underprivileged kids  
  |      |                                              | • School support programs providing benches and desks, potable water facility, educational aids such as libraries |
Hindustan Uniliver Limited:

**About the company:** Hindustan Uniliver Limited is one of the leading fast moving consumer goods companies in India. HUL has delivered a vigorous performance in the financial year 2014-15. Domestic consumer business has increased by 10% over the previous year. The business of HUL falls under 5 segments:

1. **Soaps and Detergents segments:** comprises of soaps, detergents and household care.
2. **Personal Care products segment:** comprises of skin care, hair care, oral care, color, cosmetics and deodorants.
3. **Beverages segment:** includes tea and coffee.
4. **Packaged foods segment:** includes culinary products, bakery products, frozen desserts and ice-creams.
5. **The residual segment of others:** is primarily concerned with water business.

Some of the popular brands of HUL are Dove, Lifebuoy, Surf, Kissan, Bru and Pureit. HUL has also introduced a wide range of new products. In Personal care Axe launched a range of body perfumes-Axe signature, TRESemme moved forward with two new launches, Close-up launched Diamond Attraction as one its best whitening segment and Pond's launched the men's range of products. In home care, Surf excel relaunched Easy wash detergent and Surf bar. A new tub format was launched by Vim for its dish wash bar also Ultima with RO+UV technology was launched by Pureit. In Beverages, TajMahal introduced 'Flavor of Darjeeling' in the premium tea segment and the re-launch of Lipton green tea was a big success.

Financial details of the company:

1. Revenue from operations, net of excise: 30805.62 crore
2. Profit before exceptional items and tax: 5523.12 crore
3. Profit for the year: 4315.26 crore
4. Average Net Profit of the company for the last three financial years: 3990.93 crore
5. Prescribed CSR expenditure: 79.82 crore
6. Total amount spent during the year (2.1 of Average Net Profit): 82.35 crore

HUL has a number of subsidiary and joint venture companies. These are as follows:

- **Uniliver India Exports Limited:** is a subsidiary of HUL which looks after FMCG exports business.
- **Lakme Lever Private Limited (LLPL):** LLPL is a subsidiary of the company. This subsidiary has 230 salons, out of which 56 are company owned and 174 are franchisee salons.
- **Pond's Exports Limited:** is a subsidiary dealing with leather business, has shown good profitability and has projected double digit sales growth.
- **Unilever Nepal Limited:** is a subsidiary of the company, which takes care of manufacturing, marketing and sales of detergents, toilet soaps, personal products, soap noodles and laundry soaps in Nepal.
- **Hindustan Unilever Foundation(HUF):** is a not-for-profit company and takes care of various community development initiatives of HUL.
- **Bhavishya Alliance Child Nutrition Initiatives (BACNI):** is not-for-profit subsidiary of the company and is working on the hand washing

| 6. Promoting gender equality and empowering women | • Adult literacy centres for women
| | • Promoting self help groups for women
| 7. Providing employment generating vocational skills and livelihood enhancement projects | • Vocational training to women and villagers

Source: Dabur India Limited Annual Report, 2014-15
behavior change program in the State of Bihar. The aim of this program was to reduce diarrhea and pneumonia in children under the age of five years across Bihar.

- In addition, *Daverashola Estates Private Limited and Jamnagar Properties Private Limited* are subsidiaries of the company, which have been looking for opportunities to enter various business activities.

- *Levers Associated Trust Limited, Levindra Trust limited and Hindlever Trust Limited* are subsidiaries of the company, which act as trustees of the employee benefits trusts of the company.

- *Kimberly Clark Lever Private Limited (KCL):* is a joint venture between HUL and Kimberly-Clark Cooperation, USA. KCL has infant care diapers as its primary product category.

**CSR initiatives taken by Hindustan Uniliver Limited:**

<table>
<thead>
<tr>
<th>S.No</th>
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<tbody>
<tr>
<td>1.</td>
<td>Employment enhancing vocational skills for women/ livelihood enhancement projects and empowering women</td>
<td>• <em>Project Shakti:</em> It is an initiative to financially empower rural women and create livelihood opportunities for them.</td>
</tr>
<tr>
<td>2.</td>
<td>Promoting preventive healthcare and sanitation</td>
<td>• <em>Hand Washing Behavior Change Programme:</em> The Company conducts this program in anganwadis and schools. With the intervention of this program the incidence of infections like diarrhea and pneumonia was reduced significantly.</td>
</tr>
<tr>
<td>3.</td>
<td>Sanitation and promoting preventive healthcare</td>
<td>• <em>Domex Toilet Academy (DTA):</em> The objective is to reduce the incidence of open defecation. DTA operates with the help of local self-help groups who not only educate people on the importance of proper sanitation, but also help in accessing micro loans through micro finance institutions for making available the toilet facilities.</td>
</tr>
<tr>
<td>4.</td>
<td>Making available safe drinking water</td>
<td>• <em>Pureit:</em> In home water purifier provides safe drinking water which is as safe as the boiled water. Pureit partners are working across the country along with the NGOs to provide safe drinking water to the people.</td>
</tr>
<tr>
<td>5.</td>
<td>Promoting education, empowering women, employment enhancing vocation skills for women</td>
<td>• <em>FAL foundation:</em> This foundation provides scholarships to the academically exceptional girls who are from financially weak backgrounds.</td>
</tr>
<tr>
<td>6.</td>
<td>Ensuring environmental sustainability, ecological balance, and conservation of natural resources</td>
<td>• <em>Sustainable Sourcing:</em> Devoted for sourcing of all agricultural raw materials sustainably by 2020.</td>
</tr>
<tr>
<td>7.</td>
<td>Water conservation</td>
<td>• <em>Hindustan Unilever Foundation:</em> It was estimated that by 2030 water supply will be reduced to half of its demand. Hence, to meet this challenge, Hindustan Unilever Foundation was set up in 2010. It is a not for profit company that caters to the various community development initiatives of Hindustan Uniliver Limited. Hindustan Unilever foundation supports national priorities for socio-economic development, through its Water for Public Good programme.</td>
</tr>
<tr>
<td>8.</td>
<td>Contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare.</td>
<td>• <em>Relief Funds:</em> HUL has always given priority to its call for national duty and has made generous contributions for the upliftment of community hit by natural disasters. This has been made possible by making contributions to Government relief funds.</td>
</tr>
</tbody>
</table>
**CSR initiatives taken by Hindustan Uniliver Limited:**

| 9. | Rural development projects | • Prabhat: The program ‘Prabhat’ dawn focuses on communities nearly HUL factories. The areas covered under this program are health & hygiene, raising livelihoods, and conserving water. Hindustan Uniliver foundation, a wholly owned subsidiary of HUL takes care of the water conservation initiative. The livelihood program provides employable skills to the youths thereby enabling them to earn their living. |
| 10. | Setting up homes and hostels for women and orphans | • AshaDaan: A home for the abandoned, challenged children, the HIV positive and the destinate was set up in 1976 in Mumbai. • Ankur: A center for special education of otherwise challenged child was set up in 1993 by HUL’s plantation division at Doom Dooma, Assam. It helps in providing educational, vocational and recreational activities to the specially-able children. |
| 11. | Promoting preventive healthcare | • Sanjivani: The aim is to provide free and mobile medical facility to the village people near Doom Dooma factory. The initiative of this mobile service camp has started since 2003. |

*Source: Hindustan Uniliver Limited Annual Report, 2014-15*

**Conclusion:**

Nowadays, CSR not only affects the company's goodwill and status but also governs the company's fiscal performance. Hence, the companies or organizations no longer are found as segregated economic entities operating in isolation from the broader society. Rather, they are seen as social institutions instead. In this study the focus is laid upon the CSR initiatives of the two leading FMCG companies: Dabur India Limited and Hindustan Uniliver Limited. The broad areas in which these two companies have allocated their CSR spending are, in eradicating poverty, hunger and malnutrition; promoting education and gender equality; generating employment; ensuring environmental sustainability, promoting health care and sanitation, women empowerment and rural development projects. Although a lot has been done in the area of Corporate Social Responsibility, yet there is ample scope of further work in this area.

**Scope for future research:**

1. The study focuses only on FMCG industry and automotive industry. The study can further be extended to other industries like IT industry, Insurance industry, hotel industry health care industry and others.

2. In depth studies can be done by researchers by comparing CSR activities of private and public sector companies or by making a comparison between the Indian companies and Multinational corporations operating in India.

3. Cross country comparison can also be done within Asia or all across the globe.

4. Different companies from the CSR initiatives of various companies or industries can be identified and an empirical study can be done. The empirical study may be either cross sectional or longitudinal in nature. In cross sectional study the selected industry will be studied only once whereas in longitudinal study the selected industry will be studied over a certain period of time.

**References:**


Carroll, A. (1991). The pyramid of corporate social responsibility: toward the moral management of


