



Strategic Corporate Social Responsibility Initiatives of ITC Ltd.

Kritika^{1*} and Vishal Anand²

¹Departemnt of Commerce, Dr. B. R. Ambedkar Govt. College Kaithal, Haryana,

² Department of Commerce, R. K. S. D. (PG) College, Kaithal, Haryana.

Abstract: *ITC ltd. is focused on maintaining greatest corporate social responsibility standards. The company is among top 50 companies as per CSR ranking 2019-20. The current research is based on the case study technique and an effort has been made to learn about the status of CSR and the strategies used for CSR in ITC Ltd. strategic corporate social responsibility is an intriguing approach in which the company's CSR strategy is developed in accordance with the vision, purpose, and philosophy of the organization. This research is focused on existing CSR literature as well as yearly CSR reports of the company. This research paper intends to improve an understanding of ethical business practices in CSR of ITC Ltd. The secondary data was gathered from company's annual reports from 2014 to 2019. Data was presented in this manner to make reader more aware about CSR spend and its components.*

Keywords: CSR, CSR spend ratio, Actual CSR, Case study, CSR strategies, ITC ltd..

*Corresponding Author: Dr. Kritika
e-mail:kritika.gck@gmail.com

1. Introduction

CSR has grown in prominence among academic researchers and in the business sector in recent years. A lot of studies have demonstrated the advantages of carrying out social responsibilities. Due to the business community's increased awareness of it, "corporate social responsibility" has become a catchphrase. By allocating a portion of its income toward CSR, every company aspires to enhance society. Corporate responsibility (CSR) is sometimes referred to as good corporate citizenship, corporate ethics, the triple bottom line, sustainable development, corporate governance, etc. CSR is associated with the creation of wealth for the benefit of all stakeholders, including investors, employees, customers, and the environment (Srivastava et.al 2012). Corporate social responsibility impacts business and economic results while also fostering societal capital, resulting in consistency between the stakeholders. The alignment of corporate social responsibility with business plans and practices will enable the firm to maximize its value and potential in order to gain a competitive advantage and fulfill its transformative potential for the improvement of societal and environmental capital (Lawania and Kapoor 2016).

Corporate social responsibility activities may contribute in the building of a company image (Hsu K-T 2012). CSR developed in the 1950s in the United States and gained popularity in the early 1970s. The United States had various socioeconomic difficulties at the time, including poverty, illiteracy, and environmental destruction. As a result, CSR has gained prominence in order to address the issues. Corporations recognized and began to accept civic responsibility from the 1980s to the 2000s. Companies should be willing to employ CSR activities for both ethical and financial reasons. (Charlo, Moya, and Muoz, 2017). So there is a need to implement CSR on rigorous basis and it should be included in strategies and policies at administrative level. India became the first country to regulate the requirement for CSR activities and mandate the reporting of CSR projects. This marks the turning point for CSR in India.

CSR is mandated in India under clause 135 of the Companies Act, 2013, which makes companies to spend at least 2% of their average net profits over the previous three years on CSR efforts. CSR is regarded as a critical technique for gaining a competitive

advantage over competitors (Rehman H, and Ram singh, 2019).

There are certain companies who are doing remarkable efforts in the area of CSR and spending enormously toward social cause. ITC is one among these companies. ITC is a leading corporations in the private sector, and a diverse conglomeration of enterprises encompassing FMCG, Resorts, Hotels, Package & Paper products, Agro - based and IT. Its headquarters is in the West Bengal region of Kolkata. ITC also delivers its goods to 90 countries around the world. Their goods are offered in 6 million shops. Incorporated in 1910, the Company changed its title the Indian Tobacco Corporation in 1970 and subsequently it became I.T.C Ltd in 1974. The firm had a revenue yearly of US\$10.74 billion and a market capitalization of US\$35 billion for the year 2019–20. In more than 60 sites around India, it engages 36,500 individuals. ITC had developed 25 parent brands in a very short span of time; many of them are industry winners in their respective sectors.

2. CSR Profile of the Company

The ITC has been recognized as among the most significant companies in India. As per a study by Fortune India, in partnership with Hay Group, ITC is classified as India's most appreciated corporation. The Organization

has created an integrated CSR policy defining actions for projects and operations to have a massive effect on the disadvantaged. CSR expenditure for the organization in 2019-20 was the Rs. 326 crores. The ITC CSR initiative is designed to provide benefits like sustainable farming, training and skill development for small landholders. Furthermore, 3F protection, such as food, fodder and fuelwood is promoted.

3. Existing literature

Howard R. Bowen (1953) pioneered the concept of CSR, or social responsibility, with his book on 'Social Responsibilities of the Businessman in 1953. Bowen's work focuses on corporate duties that are properly expected by society. From an academic standpoint, the majority of the early definitions of CSR and initial conceptual work have made significant contributions to the evolution of this idea. Since the 1960s, the work of notable authors such as Keith Davis, William Frederick, Adolph Berle, Joseph McGuire, and Carroll has grown in popularity. Since then, other concepts of corporate social responsibility have emerged.

Archie B Carroll has worked upon CSR and given a definition which encompasses economic, legal, ethical and philanthropic

expectations of the stakeholders in the organization at a stipulated time period (Carroll 1979, 1991). Carroll designed a graphic representation of CSR in the form of a pyramid based on CSR's four dimension framework. "Carroll's CSR Pyramid is one of the most widely used CSR models" (Visser 2006). The four-part CSR model, which was released in 2004, has become "one of the most extensively cited pieces in the world of business and society" (Lee 2008).

Freeman (1984) represents the stakeholder perspective, claiming that corporations have obligations to people and groups who can both impact and be impacted by company operations.

Wood (1991) in his research defined corporate social performance (CSP) and reformulated the CSP model to establish a comprehensive, integrated paradigm for enterprise and society. Institutional, organizational, and individual social responsibility concepts are all articulated in different ways. Social impacts, initiatives, and policies are the results of CSP. CSP must be rethought in this way for future study. In order to identify the degree and type of value and ideological differences across corporate stakeholders, and the implications of such variations on

stakeholder judgments of CSP, further study is needed in this area.

Marsden (2001) was of the view that "CSR is about the core behavior of companies and the responsibility for their total impact on the societies in which they operate. CSR is not an optional add-on nor is it an act of philanthropy. A socially responsible corporation is one that runs a profitable business that takes into account of all the positive and negative environmental, social and economic effects it has on society".

Griffin and Mahon (1997) and Roman, Hayibor (1999) have conducted Meta analysis and systematic literature review having 55 studies and found that majority of the studies have shown positive relationship between CSR initiatives and corporate social and financial performance and found relevant for brand image and reputation.

Anupam Sharma et.al (2012) in their research studied the "Corporate Social Responsibility Initiatives of Major Companies of India with Focus on Health, Education and Environment". He examined the current scenario, development and initiatives undertaken by huge Corporate in relation to the structure and integration of CSR policies in the area of health, environment and education. This research examined the impact of CSR on three key

Indian industries: information technology (IT), Fast moving consumer goods (FMCG), and automobiles. According to the study's findings, companies are becoming increasingly concerned about community benefit of the entire.

Baumgartner (2014) in his research asserted that sustainable development may be a source of success for organizations as well as an opportunity for them to innovate and make money at the same time. It distinguishes between normative and strategic levels of managerial activity in the framework and operational management. The normative management level is concerned with the vision and goal of a firm, as well as the strategic level includes the creation of a viable business sustainability plan. Operating level includes implementing sustainability strategy throughout business departments.

Verma A., and Kumar C.V. (2014) in their research paper, looked at how firms spent their CSR budgets in the years before to 2014, when voluntary CSR spending was the norm, and evaluated the relevance of mandatory provisions. From 2001 to 2012, they gathered data on thirty BSE Sensex firms. CSR spending was low during the discretionary spending phase.

Tsang et.al. (2020) have studied the link of CSR and firm value. They identified five metrics of CSR performance and collected data from KLD database. 5634 companies out of a total of 43483 companies were studied from the year 1991 to 2016. They examined the impact of six CSR areas like environment, employee relations, product development, community relations and human rights on firm value and found a favorable correlation between CSR and business value.

Sardana, D., Gupta, et al. (2020) aimed at understanding the influence on the business performance of the Indian industrial sector of the sustainability and environmental (CSR) businesses. They explored the moderation effect on the sustainability practices of a company of an essential internal element - plant capacity.

4. Objectives

Present paper is revolving around the following objectives:

1. To study the status of CSR spending and profile of the company.
2. To highlight the CSR initiatives of ITC Ltd. towards its various stakeholders.

5. Methodology

A thorough review of the literature on the core issue has been conducted. Secondary

information, comprising quantifiable data of annual CSR spend, is obtained from a variety of sources, like academic publications, research studies, periodicals, magazines, and web pages. The case study approach was used to get awareness about strategic CSR of ITC Limited.

Table-1 Actual and prescribed CSR of the company and percentage of Actual to Budgeted amount (Rs.- in crores)

Year	Prescribed CSR exp. (In cr.)	Actual CSR expenditure (In cr.)	% of Actual with Prescribed
2014-15	212.92	214.06	100.54
2015-16	246.76	247.5	100.30
2016-17	275.27	275.96	100.25
2017-18	290.47	290.98	100.18
2018-19	306.55	306.95	100.13
2019-20	326.17	326.49	100.10

(Source- Annual reports of the company from 2014-15 to 2019-20)

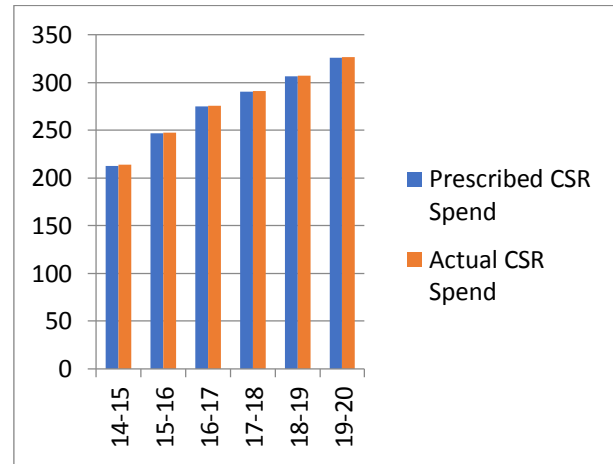


Fig. 1.: Actual and prescribed CSR of the ITC limited (Source: Author compilation from the annual reports of the company from 2014-15 to 2019-20).

In the above table and chart the CSR Spending of ITC limited is tabulated and depicted from the year 2014-15 to 2019-20. It is evident from the data that, ITC is spending intensely on year on year basis. In 2019-20 the CSR spending was of ITC Ltd i.e. 326.49 crore as against the prescribed amount of Rs. 326.17 crore. It is 100.10% of CSR budget of this year. In 2018-19 the CSR spending was again of ITC ltd. i.e. 306.95 crore as against the prescribed amount of Rs. 306.55 crore. It is 100.13% of CSR budget of this year. This shows that ITC is much inclined toward their corporate responsibilities. Every year ITC spent highest on CSR i.e. 214.06 crore, 247.5 crore, 275.96

crore, 290.98 crore, 306.95 crore and 326.49 crore from 2014-15 to 2019-20 respectively.

5.1 CSR Projects and initiatives

In the year 2019-20 there are certain CSR Initiatives of ITC limited, which are explained below:

Green Temples by ITC- During the initial project of the Green Temple of the Kapaleeswarar Temple, biodegradable waste was transformed into biogas for use in temple kitchens or composted for use as manures in temple gardens, showing a holistic model of recycling and reuse. Then three prominent temples in Tamil Nadu established in 2017 a confined organic garbage disposal strategy through a partnership with ITC. The enormous amount of natural waste produced in their temple and cattle manure from regular supply forms these Goshalas. This garbage is subsequently used in bio- and bio-gas facilities. The temples have become trash regions and give advantages to the institution and its surroundings by processing these trash.

ITC's Sustainable construction efforts in India – In sustainable construction movements in India, ITC is pioneering. LEED platinum is accredited to 14 ITC hotels. Furthermore, the ITC includes 25

sustainable infrastructure with platinum rating. Gurgaon's ITC ecofriendly centre is the world's finest sustainable Building. ITC Sankhya in Bangaluru is now being certified as the world's first data centre with the greatest USGBC accreditation.

Health & Hygiene - One of ITC's goals is to avoid ODC in public health and hygiene (open defecation). Last year, the organization built 4,443 IHHT toilets in 26 neighborhoods. To far, a total of 35,916 toilets are constructed by the company. In communities, ITC CSR wing established RO (Reverse Osmosis) facilities. 26 new RO plants had been constructed to make it a total of 127 plants. This hygiene and healthcare program gives over 150,000 rural residents, access to clean drinking water.

COVID-19 Intervention strategies - Rs. 215 Crore COVID Event Fund has been established to meet the requirements of the people in difficulty. The 25 States were distributed in partnership with regional administrations to provide meals, foodstuff and sanitary supplies. In the second wave of Covid-19, ITC works to mitigate the present oxygen supplies problem from oxygen cylinders to oxygen compressors and power stations. In order to supply medicinal oxygen throughout India

ITC has been teamed up with Linde India. ITC aeroplane lifts a huge number of different oxidation condensers.

Makeshift Hospital – Company's corporate social Responsibility is broadening assistance for the healthcare facilities in the form of 200-300 bed medical centre in Kolkata, utterly organized by Medica Superspecialty Hospital to handle Covid-19 sick people, which include bed arrangements, observes, oxygen, furnishings and preliminary clinical materials.

The ITC Sangeet Research Academy- The 1977 ITC Sangeet Research Academy (ITC SRA) encapsulates ITC's love of precious national treasures related to Indian classical music. ITC Sangeet Research Academy- ITC SRA is designed to preserve and spread Indian popular music. The Institute concentrates on fostering extraordinarily talented kids, via trials and auditions. selected students receive a full fellowship to attend school musical Training centre.

ITC e-Choupal - ITC e-Choppal has become the biggest digital solution in rural Areas since it has been launched in 2000. The Internet terminals in the community are run by designated peasants, called "sanchalaks." Sanchalaks give weather

predictions, price control, technical farming techniques, and preventive control advice to all other growers around their own language. Growers may therefore make an educated choice and have greater production. They receive an input at affordable prices from recognized producers. It targets four million peasants throughout India with 6,100 kiosks in 12 states. The firm started their food packaging operation in 2002. During few months of its inception, Aashirvaad had become a dominant player. In this respect e-Choupal has been important in enabling firm to combine crop diversity and quality products for the production of personalized flour mixes. The marketing connection for growers has become one of the program's essential roles. This has benefited more than 4 million peasants.

Females Farmer Entrepreneurs- The Objective of ITC Sunehra Kal has developed and implemented a specific procedure to strengthen rural women with technology and resources. Women-run, Agro-food Centres (ABCs) have been set up to encourage ecological farming methods. In the initial phase the Females encountered obstacles like as familial restrictions, failure of the other producers

to acknowledge them, and problems in running agro apparatus and money.

The Social Forests Initiative- This initiative of the Company is extended around 16 districts, in six states, spanning 3,29 lakh acres in 5,087 towns, which has an influence on 1,21,557 disadvantaged families. This CSR ITC project has reforested over 7.33 lakh acres up to now, along with its Farmer Forest management project, and it has created around 135 million rural families working days. Agricultural forests are essential to social Forest Mission.

VAP- In Village Adoption Program the Agri Business Groups are initiated. In Andhra Pradesh, Karnataka, Telangana and Rajasthan, it encompasses 250 model villages. The project is connected with the comprehensive rural transformation program of Prime Minister Narendra Modi's SAGY (Sansad Adarsh Gram Yojana).

Ambitious District Program- The Ambitious Region Project of the Govt. of India (ADP) is designed to improve the nation's economically underdeveloped regions. In 27 ambitious districts in eight countries, ITC has collaboration with NITI Aayog to increase agricultural production and the related sector. The instructional kits

have been created by specialists from the Institutions of Agriculture and Krishi Vigyan Kendras (KVKs). They are located in Hindi, Marathi, Assami and Odiya.

Education – The primary school project is aimed at children in the manufacturing locations of the ITC Group representing poorer sectors of communities. In 24 districts of 14 countries last year, the program included 1.15 lakhs youngsters. Approximately 6.91 lakhs kids have got benefits. In 199 public elementary schools, the teaching facilities upgraded. Further classes, bathrooms and furnishings were constructed along border fences.

6. CSR Initiatives of ITC Limited

It is observed from the above table that ITC is spending on several areas of CSR i.e. Health, Sanitation & Poverty Eradication projects, Education, Training & Livelihood Enhancement projects, and Environment Sustainability projects, donations to PM CARES Fund and Rural Development projects. In the year 2019-20 the top priority was given to Health, Sanitation & Poverty Eradication projects with expended amount is (36.58%) of total CSR spend of the year. Next thrust area of company CSR was for Environment Sustainability projects where company spent 21.38% of the total CSR spending.

Table-2 CSR Initiatives of ITC Limited in various Development Sector Year-wise (Rs. In Crores)

Focus Areas / Years	2014-15		2015-16		2016-17		2017-18		2018-19		2019-20	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
HSPE	23.9	11.17	57.95	23.41	105.44	38.21	102.16	35.11	127.83	41.65	119.43	36.58
ETLE	66.21	30.93	47.47	19.18	44.93	16.28	45.49	15.63	46.25	15.07	49.75	15.24
ES	54.89	25.64	72.13	29.14	73.99	26.81	73.04	25.10	62.5	20.36	69.8	21.38
DUS	10.4	4.86	18.17	7.34	12.85	4.66	15.85	5.45	13.12	4.27	2.01	0.62
PMCFD	20.18	9.43	0	0.00	0	0.00	0	0.00	0	0.00	33.14	10.15
SP	1	0.47	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
NHAC	21.42	10.01	0.93	0.38	2.18	0.79	2.43	0.84	3.78	1.23	3.33	1.02
RDCD	16.06	7.50	50.85	20.55	36.57	13.25	52.01	17.87	53.47	17.42	49.03	15.02
RD	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
AFVWW	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
OTHE R	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Total	214.06	100.00	247.5	100.00	275.96	100.00	290.98	100.00	306.95	100.00	326.49	100.00

Then after next emphasis was given to Education, Training & Livelihood Enhancement projects and Rural Development and Community Development projects where company spent 15.24% and 15.02% of total CSR spend respectively. Company has donated 10.15% of their total CSR spending toward PM Care fund and

other funds. Very nominal expenditure was made for Preservation of National Heritage, Art & Culture and for Development of Underprivileged Section of society like Women; Children and Senior Citizens where company contributed respectively 1.02% and 0.62% of total CSR spend. This way company contributed 326.49 crore rupees as

CSR in the year 2019-20. In the year 2018-19 the main focus of company's CSR activities was on Health, Sanitation & Poverty Eradication projects, Environment Sustainability projects, Rural Development projects and Education, Training & Livelihood Enhancement projects where they spend approximately 41.65%, 20.36 %, 17.42%, and 15.07% respectively out of the total CSR spend. Very meager expenditure was made for Development of Underprivileged Section and for National Heritage, Art & Culture and for other activities where company contributed respectively 4.27 % and 1.23 % of total CSR spends. In previous years also company CSR pattern is almost same and company generally spend on Health, education, environment and Rural Development areas.

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7. Conclusion

A number of studies have been conducted to study the relationship between CSR and financial performance over time and have yielded conflicting conclusions. The majority of studies show a link between Corporate Social Performance and Corporate Financial Performance. Some research reveals a detrimental relationship, while others show no relationship. So it can be concluded that Companies must develop CSR strategies and promote its implementation. The implementation of CSR is based on the motivation of management. There is a dire need that CSR should respond to social, environmental and governance perspectives in developing and emerging economies (Soundararajan, Jamali, & Spence, 2018). In summary, CSR holds relevance for various industries, across different health, social and environmental concerns.

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