

Study of Corporate Sustainability Practices in FMCG and Automobile Industries

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ABSTRACT

The economic activities undertaken by the manufacturing units of an organisation can have various detrimental impact on the environment, society and its people. Such impact can be readdressed through proactive Corporate Sustainability Reporting Practices which encompasses voluntary adoption of strategies and practices by firms beyond set regulatory requirements to acknowledge their responsibilities towards the environment and society. The methodology adopted in this exploratory study is a general review of various proactive corporate sustainability practices undertaken by various manufacturing units in India based on secondary data sources. The sectors have been resorting to environmental protection measures through improved efficiency and effectiveness in sourcing, manufacturing and disposal. Corporate Sustainability Practices undertaken by these industries which play a predominant role in making and shaping of consumer choices and vice versa in a vicious cycle needs further deliberation especially in the context of an emerging economy with high rate of growth in urbanisation and consumption practices such as India. The study aims to assess the sector-wise performance of studied industries to the obligations of corporate sustainability practices and disclosures in an illustrative manner with probable suggestions.

Keywords: Sustainable Practices, FMCG, Disclosures, Reporting

1. INTRODUCTION

In research and business strategies sustainable development (SD) and Corporate Sustainability Practices (CSP) are becoming the most viable and relevant topic for almost all renowned companies all over the world. CSP has been analysed in the similar manner almost by the researchers, as the strategic decision making of the organisations on the basis of which the companies undertake caring measures

for the society as a whole by paying attention specially to the environmental issues focussing on the three pillars of Sustainability – economic-environmental and social sustainability(Ness, M.R., 1992, 94). CSP activities may be defined as ‘a business’s contribution to sustainable development’, that is besides providing returns to the shareholders, paying the employees and also providing services to the consumers, responding to social, cultural and environmental values. (OECD, 2001; Biswas, 2018).

In the light of emerging economies with ever increasing demand for various consumer goods and with enhanced consumer awareness on issues encompassing sustainability the need to study the CSP and its need for reporting and disclosures by the Indian companies which are intensely consumer driven, cannot be undermined and hence needs further deliberation. (Hediger. W., 2007)

Fast moving consumer goods (FMCG) sector is India’s fourth largest sector with sales accounting for 50% of FMCG sales (household and personal care) in India. Youth population, rising income, brand consciousness are the factors that boosted up FMCG sales. As per report of India Brand Equity Foundation (IBEF),2020, Revenue of FMCG sector reached Rs 3.4 lakh crore (US\$ 52.75 billion) in FY18 and is estimated to reach US\$ 103.7 billion in 2020.

FMCG market is expected to grow at 9–10% in 2020. Hike in disposable income in the rural market along with low penetration levels in these markets resulted in rise in rural consumption that drives the FMCG market contributing to around 36% to the overall FMCG spending. As per IBEF reports with 5% growth rate in the rural markets, 8% growth rate has been experienced by urban markets in the FMCG segment in the quarter ended September 2019 (<https://www.ibef.org/industry/fmcg.aspx>). FMCG companies generally sell their products though at low cost but their selling patterns are too quick, making huge profits after selling in bulks. Indian government has made the companies to follow and perform CSP activities mandatorily. The leading corporate business enterprises like, ITC limited, Hindustan Unilever Limited, Colgate-Palmolive, Nestle, ParleAgro, Britannia Industries Ltd, Procter & Gamble, Godrej Group, Amul, Marico Ltd, etc engage into detailed CSP activities. The level of CSP practices largely varies from companies to companies on the basis of the resources available to the corporate houses, making the companies individually sustainable through various social and environmental projects. Mainly the companies observed that performing CSP activities not only made them sustainable but also paved the way for greater profits. Generalising the trends of

the CSR practices of the FMCG companies, they largely aimed at livelihood, Education, Women empowerment, infrastructural development, poverty alienation, Community resources development, Agricultural training, Infrastructure development, Livestock development training, health, cleanliness and sanitation and improvement in the quality of life. Another aspect of our paper is the automobile sector that also performed well in CSR practices along with its disclosures in the year 2019-2020(deloitte.com). CSP is nothing but a bridge between corporate growth and social development. With safeguarding the stakeholders' interest and also ensuring proper resource planning as well as integration, the automobile sector having a larger capital base lays a foundation stone for sustainable brand development with quality products. With greater disposable incomes at the hands of the people and also the awareness for brands being boost up, these businesses with huge capital base finds business opportunities with business problem solving resulting into framing the CSP based on the corporate strategies. Not only following and maintaining the CSP along with sustainable corporate goals is sufficient for survival of a business but also its proper disclosures according to Global Reporting Initiative (GRI) sustainability standards, CASS-CSR or other guidelines demands equal attention from the corporate houses to maintain transparency and build up proper image and reputation.

As per report of India Brand Equity Foundation (IBEF), 2020, Electric vehicles sales witnessed a growth by 20% to reach 1056 lakh units in 2019-2020 driven by two-wheelers. Fourth largest auto market in the world is expected to be in top 3 by 2021 as per IBEF reports. Keeping and enhancing this pace of growth of this industry Government encouraged 100% foreign direct investment (FDI), leading to availability of skilled labours at low cost, good R&D hubs, and other amenities as well including employment and robust CSR practices. Keeping in view opportunities the Indian Automobile Industry keeps a good record of CSR practice and disclosures which to some extent has been reflected in this study (www.ibef.org/).

This exploratory study is a general review of various proactive corporate sustainability practices undertaken by various manufacturing units in India based on secondary data sources. The study aims to assess the different CSP initiatives undertaken by the Indian FMCG and Automobile companies and the respective disclosure and reporting of such practices by the firms.

2. LITERATURE REVIEW

In the relation to this study some reviews have been made that are enumerated below:

1. Liczmanska- Kopcewicz, et al, (2019): In the article titled, 'Corporate Social Responsibility and Sustainable Development for Creating Value for FMCG Sector Enterprises', the researchers explained the difference between Corporate Social Responsibility and Sustainable Development along with the basic goals of each. With some hypothesis this study proved that sustainable development is nicely accompanied by CSR strategy goals. The sustainable development and CSR goals together proved to have an impact on creating worth and value in an enterprise. The study further confirms that majority of the FMCG companies not only concentrates on economic profits and activities but also on economic, social and ecological goals.
2. Anupama.R, Jayanthi.V, (2019): In the journal 'CSR of FMCG's & its impact on Consumer's Buying Behaviour- A Gender Based Preferential Analysis', the researchers studied the CSR impact on consumer buying behaviour for FMCG products specially with respect to gender. With independent sample t-test difference in the said impact according to male and female respondents were measured, the result of which showed no significant difference between male and female respondents with respect to the impact of CSR on consumer buying behaviour for FMCG products.
3. Kusumgar et al, (2015): In the article titled, 'Study of Corporate Social Responsibility with Special Reference to Selected Indian Automobile Industry', it has been explained the phases of CSR practices in India that has been highlighted on the basis of the current scenario, as well as enumerated the journey CSR practices had all over the long years. The researchers reached to a conclusion from the study that long term growth and sustainability of a company is only possible if the companies implemented CSR practices progressively.
4. Carol A. Tilt, (2016): In the article, 'Corporate social responsibility research: the importance of context', mainly the researcher focussed on the contextual issues that is importantly needed in CSR research, particularly in CSR reporting. The sociocultural understandings have been enumerated in detail along with economic aspects, that literally varies from country to country and

which should be studied uniquely in order to be clear about the CSR practices and reporting.

5. Khan Saeed, (2009): In the article titled, 'Corporate Social Performance of Indian FMCG Companies', CSR has been defined with respect to Karmayog CSR Ratings along with 3 top Indian FMCG companies. The study also shows the benefits enjoyed by the company while implementing the CSR strategies and practices. With the FMCG companies CSR performances Karmayog CSR Ratings and its criteria along with mandatory and also non-mandatory recommendations for 2007-2008 has been analysed and explained. Overall with all the descriptive analyses this study also shows the effectiveness of CSR practices in building up sustainable corporate houses.
6. Vethirajan & Ramu, (2019): This study titled, 'Impact of CSR on FMCG Companies-Consumers' Perspective', the consumers' perception on personal care products under FMCG companies along with the impact of CSR activities on the corporate houses have been studied. The study found high correlation between CSR activities and creation of brand awareness, creation of goodwill, cost savings and better profits of the FMCG companies. According to gender, age, educational status, occupation, family size and type, income levels, the perception of the CSR impact on the companies' changes. Lastly the study also observed that the consumers' perception of the gains from similar FMCG companies are almost similar. This study nicely explains the extent of connection between all the factors under study with the respective CSR practices in a company.

3. OBJECTIVES

The present paper studies the underlines the following objectives

- To study the different Corporate Sustainability Practices adopted by some leading Indian Consumer Goods Industries (FMCG) along with the analysis of different sectoral investments.
- To study the different Corporate Sustainability Practices adopted by some leading Indian Automobile Industries along with the analysis of different sectoral investments.
- To highlight the requirements of Corporate Sustainability Practices in the Indian FMCG and automobile industry keeping in mind the status of current economy.

4. RESEARCH METHODOLOGY

The present study is descriptive in nature which underlines the corporate sustainability driven practices of various manufacturing units in India based on secondary data sources. The data were collected from mainly annual reports, newspapers, sustainability reporting and disclosure statements and the specific companies' websites pertaining to Corporate Social Responsibility and corporate sustainability practices in India.

5. ANALYSIS

A vivid description study of the CSP measures adopted by some of the Indian FMCG and Automobile Companies that have been consolidated and corroborated from the Corporate Sustainability Reporting and Disclosure Statements. The different CSP initiatives undertaken by the Indian FMCG and Automobile companies and the respective disclosure and reporting of such practices by these companies have been tabulated below:

- I. Ensuring sustainability and viability of all the programmes specially in the lockdown these companies worked hand in hand with the government
- II. Supported Indian Government's swachh bharat abhiyan through their 'swachhata pakhwada 2020'. concentrated on the holistic education through technology, and also worked for combating covid situation by collaborating with the medical teams.
- III. Planted 0.95 million trees for maintaining bio-diversity in the country, worked for under privileged girls through afterschool support programmes. (Mahindra and Mahindra ltd)
- IV. Setting up covid contingency fund worth inr 215 crores. distributed food and hygiene materials to 25 states and union territories (ITC LTD)
- V. Helped TATA community trust to repair the flood affected regions of kerala, and also worked in the areas of health and education. collaborated with swachhbharatabhiyan, ensured safe drinking water and also guaranteed protection of water resources, education, sanitation and healthcare, women empowerment, and also worked for economically backward groups (TATA MOTORS LTD)
- VI. Many of these companies have set up social and sustainability initiatives center on education, ecology, and community care. CSP implies that sustainability and society with profitability goes hand in hand

VII. Rehabilitation millions people all over India, besides this, focussed areas of its CSP activities are health, education, sports, arts, culture, heritage, etc. partnerships, collaborations, were also fostered.

6. CONCLUSION

Globalisation has led to a paradigm shift of the corporate sustainability Practices in India from a philanthropic to a more professional perspective (Ravichandran and Chandilyan, 2016). The findings of the study help in understanding the role of Corporate Sustainability Practices such as designing of right strategies to have a competitive edge over other market players. The study makes a detailed strategic representation of the Corporate Sustainability Practices in the Indian FMCG and Automobile sector which are highly driven by the consumers' demand-choice-apprehension and awareness. Disclosure of CSP will enable firms to uplift their image in consumers' mind which will eventually be reflected through increased demand (Biswas and Roy, 2016). Some major areas of CSP in India – Agricultural training, Anganwadi based intervention, Education, Environmental Protection, Community resources development Health, cleanliness and sanitation and improvement in the quality of living, Livelihood Livestock development training Infrastructure development, Sustainable Consumption Practices, Sustainable living, Women empowerment, Water resources management and more.

CSP dimensions and relevant issues must be addressed as a whole rather than as fragmented parts. Organisations must proactively participate and must realise the need to put in endeavour in this context. Through effective Corporate Governance the stakeholders' – shareholders, employees, customers, Environment, Society need shall be safeguarded. Thus only focus on profitability should be superseded by greater goals of long term economic-environmental-social sustainability through the CSP endeavour. India being a fast growing economy with unprecedented growth in consumption and increase in purchasing power, thus it becomes all the more imperative for the Indian companies to sensitise to CSP in the right perspective in order to facilitate and create an equitable partnership among business, environment and society (Biswas, 2018). Consequently, through CSP and its reporting and disclosures business shall embrace its responsibilities towards all its stakeholders and proactively promote community growth and development and protection of the environment.

7. IMPLICATIONS

A multitude of Corporate sustainability practices are needed than a single strategy to combat with the highly complex and dynamic business environment. Mix dimensions of Corporate sustainability practices are needed in dealing with the trade-offs between various CSP dimensions for a sustained business performance across at all levels. The implications of the study can be useful to policymakers for better disclosure and effective CSP and enhanced disclosures will enhance corporate's image amongst its stakeholders and induce consumers' purchase behaviour (Biswas & Roy, 2016; Biswas, 2017). This study adds some insight into the requirements of CSP and its necessary reporting by Indian FMCG and Automobile companies in the light of the Indian economy in the present scenario with global issues and challenges concerning sustainability. It shall enable enhanced CSP disclosures for the benefit of all stakeholders.

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